Austria .. Sch 20 | Indonesia .. Rp 2500 | Portugal .. Esc 90
Bahrain .. Din 0.650 | Italy .. L 1500 | S. Arabia .. Rls 5.00
Belgium .. BFr 45 | Japan .. Y550 | Singapore .. S$ 4.10
Canada .. C$1.00 | Jordan .. Fils 500 | Spain .. Pta 125
Cyprus .. C£0.70 | Kuwait .. Fils 500 | Sri Lanka .. Rup 30
Denmark .. DKr 8.00 | Lebanon .. L£ 8.00 | Sweden .. SKr 7.00
Egypt .. E£1.00 | Luxembourg .. LFr 45 | Switzerland .. SFr 2.20
Finland .. Fmk 6.50 | Malaysia .. Rgt 4.25 | Taiwan .. NT $65
France .. FFr 6.00 | Mexico .. Pes. 300 | Tunisia .. Din 0.600
Germany .. DM 2.20 | Morocco .. Dh 6.00 | Turkey .. L 250
Greece .. Dr 80 | Netherlands .. Fl 2.75 | U.A.E. .. Dh 6.50
Hong Kong .. HK$ 12 | Norway .. NKr 7.00 | U.S.A. .. $1.00
India .. Rup 15 | Philippines .. Pes. 20

FINANCIAL TIMES

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No. 29,905

Wednesday April 16 1986

Waldheim affair stirs anti-semitic reaction, Page 4

World news

Pilots act on 'terror countries' boycott

World commercial airline pilots gave their international federation the power to boycott nations that encourage terrorism and to avoid airports that do not have adequate security.

The decision was taken by the International Federation of Air Line Pilots Association, which represents 60,000 commercial airline pilots from 60 nations.

The federation would not specify which airports could be boycotted by pilots. Page 3

Assets frozen

Swiss Government ordered a freeze of assets held in Switzerland by former Haitian President Jean-Claude Duvalier following a request received from Haiti authorities.

Sunday trade defeat

Britain's retailers were in a state of confusion after the collapse of the Government's Shops Bill, which would have paved the way for trading on Sundays in England and Wales. Page 10

S. African riots

Five people died and vehicles and buildings were extensively damaged in South African riots. Earlier story Page 4

French gun attack

Guy Brana, a senior official at the Patronat, the French employers's federation, narrowly escaped an assassination attempt when two masked men fired on his car as he was about to leave his home in a Paris suburb. Page 4

Kabul bomb wave

Afghan authorities tightened security in Kabul after a wave of bombings hit the capital and about 20 bombs were found in a Soviet housing complex, Western diplomats said.

Peace plan

Sri Lanka's Foreign Minister Shahul Hameed left for New Delhi to discuss a new government peace plan to resolve the island's ethnic conflict.

Seamen strike

A spreading strike by West German seamen has made idle some 31 ships in German and other European ports, according to the country's biggest public service union, the OTV, which is leading the stoppage. Page 4

Finnish strike

Finnish state employees rejected a last-minute pay offer by national mediator Teuvo Kallio and will extend their stoppages in the Helsinki area to a nationwide strike from this morning, union officials said.

Hailstorm deaths

A hailstorm in the Bangladesh capital area killed nearly 80 people and injured more than 400 during ceremonies marking the Bengali new year.

North Pole setback

A Franco-Canadian team attempting to become the first all-female group to reach the North Pole on skis has given up after spending four weeks travelling but making no progress because of moving ice.

Executions claim

Amnesty International, London-based human rights organisation, claimed its campaign against the death penalty was gaining ground, but said there were 1,125 known executions last year with the true number probably much higher.

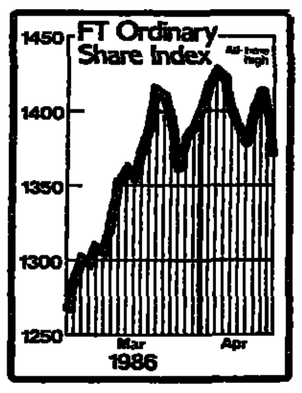
Genet dies

Jean Genet, French novelist and playwright, died aged 75 after several years' illness.

Business summary

London stocks hit by bout of nerves

LONDON: Nervousness pushed prices sharply lower and the two main FT indices recorded their largest ever one-day falls. The FT Ordinary share index dropped 28.5 to 1,370.8, while the FT-SE 100 shed 28.3 to 1,654.8. Page 44; Electronic OTC market planned, London to open for business half hour earlier at 9am, Page 10.



WALL STREET: At 1pm the Dow Jones industrial average was 4.83 higher at 1,810.14. Page 44

FRANKFURT suffered a 6.6 fall to 2,238.3 in the Commerzbank index as profit-takers hit bank and car issues. Stockholm and Amsterdam, also at peaks on Monday, slipped cautiously lower, while Paris derived only temporary benefit from the cut by the Bank of France in its intervention rates. Brussels was further hampered by exchange rate concerns. Market report, Page 44

TOKYO: Prices tumbled on news of the US-Libya clash but recovered some lost ground late in the session. The Nikkei average lost 44.43 to 15,352.33. Page 44

DOLLAR rose in London to close at DM 2.311 (DM 2.309), FFr 7.3625 (FFr 7.3525), SFr 1.9335 (SFr 1.9305) but fell to Y178.3 (Y178.95). On Bank of England figures the dollar's exchange rate index fell to 119.2 from 119.3. Page 37

STERLING fell slightly against the dollar in London to $1.48 ($1.4815). It also fell to Y263.75 (Y265.0), was unchanged at DM 3.42 and was firmer at FFr 10.895 (FFr 10.8925) and SFr 2.8625 (SFr 2.86). The pound's exchange rate index was down at 76.2 from 76.4. Page 37

GOLD fell $0.25 on the London bullion market to close at $340.75. It was unchanged in Zurich at $340.75. Page 36

US INDUSTRIAL output fell 0.5 per cent in March, the second consecutive monthly decline. Page 6

TRADE TALKS: Industrialised and developing nations will meet in the Uruguayan city of Punta del Este on September 15 for a new round of negotiations to liberalise world trade. Page 20

UN faces its most serious financial crisis ever, with arrears projected close to $275m by the end of 1986, Secretary General Javier Perez de Cuellar said

AUSTRALIA announced an A$150m (US$108m) package aimed at making its agricultural exports more competitive on world markets. Page 36

MESSER GRIESHEIM, West German producer of industrial gases and of welding and cutting equipment, is pressing ahead with a big investment programme in the wake of its record performance last year. Page 21

QUOTRON Systems, Los Angeles-based electronic financial information group, formally rejected Citicorp's unsolicited $19-a-share cash takeover bid, which it described as inadequate. Page 21

GEC of the UK beat two Norwegian telecommunications companies for a £12m ($17.7m) contract in Bangladesh likely to be funded by Norwegian Government grants. Page 8

PETROLEOS DE VENEZUELA, Venezuela's national oil company, will invest the equivalent of $30m to purchase a 50 per cent interest in a Texas oil refinery owned by Union Pacific. Page 22.

Gorbachev–Reagan summit in doubt as Moscow joins wide condemnation of air attacks

US defends Libya raid

BY REGINALD DALE, US EDITOR, IN WASHINGTON

SOVIET ANGER at the US air attack against Libya has raised doubts whether the proposed US-Soviet summit can be held later this year as planned. Moscow last night called off a meeting between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr George Shultz, his US counterpart, due to take place in Washington next month.

The Soviet announcement came as the US tried to shrug off mounting world criticism of its action and declared the attack on Libya a success that had "struck a blow against terrorism." It had sent a clear message to Colonel Muammar Gadaffi, the Libyan leader, the White House said.

In Tripoli, the Libyan capital, where about 100 people were reported to have been wounded in the bombing raids, the atmosphere remained tense, but cars had returned to the streets and shops had reopened. Col Gadaffi was said by Libyan officials to have escaped injury, but his whereabouts were not known.

Libya called for all Arab states to sever relations with Washington and to halt oil supplies to the US, a demand which was echoed at the meeting of the Organisation of Petroleum Exporting Countries (Opec) in Geneva.

Arab ambassadors were summoned to the Foreign Ministry in Tripoli and urged to take similar action against European countries, particularly Britain. The United Nations Security Council was meeting last night at Libya's request.

Libya quickly responded to the US attack with an attempted attack by a gunboat against a US telecommunications station on Lampedusa, a small island off Sicily. The gunboat fired two missiles but they fell into the sea and nobody was injured.

In Washington, Mr Larry Speakes, the White House spokesman, said that the US regretted Moscow's decision to call off the Shultz-Shevardnadze meeting. Mr Speakes also questioned Moscow's commitment to "working constructively on the US-Soviet agenda, including arms control."

As for Libya, Mr Speakes said that the US was confident that Col Gadaffi had "heard and understood" the American message. "Our goal was to strike targets that would damage his ability to perpetrate terrorist acts. We have successfully accomplished our objectives," he said.

Nevertheless, US officials said that as of yesterday morning they still had no full assessment of the damage inflicted by the strike and that one British-based F-111 bomber was still missing. Sixteen of the American F-111s returned safely, and a 17th made an emergency landing for repairs at a US base in Spain.

Pentagon officials held out little hope for the two-man crew of the missing bomber, for which air and sea search was continuing. Mr Caspar Weinberger, the US Defence Secretary, said that there was no indication that the aircraft had been hit by Libyan anti-aircraft fire, but other Pentagon officials would not rule it out.

In the Mediterranean, a Libyan gunboat fired two missiles at a US navigational facility on Lampedusa, but US officials said that the missiles fell harmlessly into the sea and there was no damage or casualties.

The Italian Government last night lodged a strong protest with Libya. Prime Minister Mr Bettino Craxi said that the missiles were probably long range and had exploded close to a US directional radar station, manned by 30 US servicemen.

In Washington, congressional leaders rallied to the support of Mr Reagan's action, in which the F-111s and carrier-based attack aircraft from the US sixth fleet struck five targets around Tripoli and Benghazi in a 20-minute raid starting at 2am Libyan time (midnight GMT) yesterday morning.

Vice President George Bush conceded that the attack would not end Libyan-sponsored terrorism and repeated President Ronald Reagan's Monday night warning that the US would be ready to strike again. "The key point is not that we have to respond to every single event but that we will respond," he said in New York.

Mr Robert Dole, the Senate Republican majority leader, said that Mr Reagan had done what the American people wanted and called on Congress and the country to stand behind the president. "Once you start down this road, there isn't any turning back," he said.

Democrat Senator Edward Kennedy agreed, saying that "all Americans would stand with the commander in chief at this moment." There was considerable concern on Capitol Hill, however, about what would happen next. Some leading Democrats complained that they had only been notified of the attack, not consulted, by Mr Reagan.

The Administration was clearly irked by France's refusal to let the F-111s fly over its territory, necessitating a detour via the Strait of Gibraltar that added 1,200 nautical miles to each leg of the flight to Libya, which totalled 2,800 nautical miles (3,200 miles) in each direction.

Asked if the raid had sent a message to the European allies, Mr Speakes said that "we are stressing to them that the US is certainly prepared to co-operate but also ready to go it alone, if necessary." The US was determined to put an end to terrorism and "make Gadaffi pay the price," he said.

Mr Speakes added the European allies had been told at the weekend by Mr Vernon Walters, the US ambassador to the United Nations, that there would be a military strike. But, presumably with the exception of Britain, they had not been given details or timing of the attack.

Consultations with the allies would continue and Mr Edwin Meese, the US Attorney General, still "planned to visit Western Europe later this month to discuss co-ordinated measures to combat terrorism.

The five sites attacked were selected because they were "good night targets" with a high radar profile, and in the hope that civilian casualties could be kept to a minimum, the Administration said.

The Tripoli targets were the military side of the airport, the Bab al-Azizeya Barracks – the home of Col Gadaffi – and a port with underwater training facilities. Near Benghazi, the US attacked a command post.

"The operation was approved in principle last Wednesday, after Mr Reagan was given what he has described as 'irrefutable' evidence of Libya's responsibility for the April 5 bombing of a West Berlin night club in which one American was killed and over 60 injured, Mr Speakes said.

Editorial comment, Page 18, Features, Page 18, Oil output cut urged, Page 20

Low sweep over Tripoli strikes close to Gadaffi

By Tony Walker in Tripoli

COL MUAMMER GADAFFI, the Libyan leader, appears to have been the prime target of US air strikes on Tripoli in the early hours of yesterday morning.

Several members of Col Gadaffi's large family were said by Libyan officials to have been hurt as US bombers swept in low over the capital, aiming at selected targets, among them the headquarters of the Libyan leader.

A report last night said that Col Gadaffi's recently adopted infant daughter was killed in the raid. Two of his sons were injured.

The raid caused civilian casualties in at least one residential sector of the city. A bomb apparently fell short of its target – the central security building – in the diplomatic quarter several kilometres from the city centre, damaging the French Embassy, and levelling a number of apartments and private houses.

Col Gadaffi himself is said by Libyan officials to have escaped injury, but there is no indication of his whereabouts. At least 100 Libyans are said to have been taken to hospital.

In Tripoli the atmosphere remained tense, but cars had returned to the streets and some shops had been opened. People appeared stunned by the attack although US threats had been well publicised along with the presence of the US Sixth Fleet offshore in the Mediterranean.

Libya quickly called for all Arab states to sever relations with Washington and to halt oil supplies, a request repeated at the meeting of the Organisation of Petroleum Exporting Countries (Opec) in Geneva.

Arab ambassadors were summoned to the Foreign Ministry in Tripoli and urged to take similar action against European countries, particularly Britain, which were "proved" to have taken part in the raid.

Libya is also seeking an emergency meeting of the 21 members of the League of Arab States.

The US attack shattered windows in the house used by the Gadaffi family – the Libyan leader has seven children – inside the Bab al Aziziya barracks, which also serves as a military and administration headquarters.

A West German technician who was inside the barracks at the time of the attack said there was deafening noise as bombers attacked soon

Continued on Page 20

EEC ministers plan to meet amid deep concern

BY OUR FOREIGN STAFF

FOREIGN MINISTERS of the European Community are expected to meet in special session in Paris tomorrow to discuss the US attack on Libya which prompted concern, criticism and condemnation, but little support, from around the world yesterday.

Before announcing its cancellation of the talks set for next month between Mr George Shultz the US Secretary of State and Mr Eduard Shevardnadze, the Soviet Foreign Minister, the Soviet Union said the US raid was "a barbaric act."

Mr Mikhail Gorbachev, the Soviet leader, was said to have "expressed strong concern" to Mr Ingvar Carlsson, the Swedish Prime Minister, who was visiting the Kremlin yesterday morning.

Soviet commentators attacked the US action as being in line with a more militant policy which had developed since the summit meeting in Geneva last year.

Moves against Nicaragua, Libya, Afghanistan and Angola have been cited as evidence that Washington is taking a more aggressive stance in world affairs.

Reaction among European governments, with the notable exception of the British, was uniformly dismayed.

Mr Hans Van Den Broek, the Dutch Foreign Minister, who chaired Monday's meeting of EEC ministers which urged restraint on the US, called for an end to military action.

The French Government, which had refused to allow the US F-111s to cross French airspace en route from Britain to Libya, condemned the attack as adding to "the intolerable escalation" of terrorism in the world.

Mr Helmut Kohl, the West German Chancellor, sought to temper his disapproval of Washington's use of force with the view that Col Gadaffi had received his just desserts.

But the radical left-wing Green Party called the raid "an act of unprecedented barbarity" and organised demonstrations and protests in several German cities, involving thousands of people.

But the harshest European condemnation came from Greece, which took the initiative in seeking the EEC ministers meeting due tomorrow.

The Athens statement also showed a firm conviction that Sir Geoffrey Howe, the British Foreign Secretary, had known of the attack plan in advance and had reprehensibly failed to inform his EEC colleagues on Monday.

Nevertheless, the reaction in Europe was mild compared with the blistering responses from the non-aligned movement and parts of the Middle East. Foreign Ministers of non-aligned countries, gathered in New Delhi for four days of talks, held the US responsible for a "dastardly, blatant and unprovoked act of aggression."

They called on the UN Security Council to give "full support" to Libya and to ensure that Tripoli receives "full and prompt compensation."

The UK was also implicitly condemned for giving "support and collaboration" to its Nato ally.

Syria, Libya's main ally in the Middle East, reacted in a similar vein, and offered to put its entire resources at Libya's disposal.

The Gulf states, broadly allied with the US, were visibly embarrassed.

Thatcher stands firm on Britain's role

BY PETER RIDDELL AND ROBERT MAUTHNER IN LONDON

MRS MARGARET THATCHER, the British Prime Minister, yesterday strongly defended the US action against Libya and the use of bases in Britain. She was attacked by opposition leaders and received from her own Conservative Party.

Mrs Thatcher said in the House of Commons that, "in view of Libya's promotion of terrorism, the failure by peaceful means to deter it, and the evidence that further attacks were threatened," she had told President Ronald Reagan that Britain would "support action directed against specific Libyan targets demonstrably involved in the conduct and support of terrorist activities."

She agreed, moreover, to the deployment of F-111s based in the UK since the US believed this was operationally necessary. But she reserved the position of the UK on the question of any further action "which might be more general or less clearly directed against terrorism."

Mrs Thatcher will open an emergency debate on the issue this afternoon. A number of Conservatives believe she must then make public more evidence without compromising intelligence sources to justify Britain's support for the US.

In particular some Conservative MPs are concerned that the use of US bases will fuel anti-Americanism and will give more ammunition to the Labour Party and the Campaign for Nuclear Disarmament.

Continued on Page 20

House of Commons reaction, Page 15

UK may reconsider 5% ADR tax

BY ALEXANDER NICOLL IN LONDON

THE British Treasury has indicated it is prepared to consider alternatives to the controversial 5 per cent charge imposed last month on conversion of British shares into American depositary receipts (ADRs).

A proposal for a tax affecting only British holders of ADRs – US listed securities representing foreign-registered shares – was put last night to Treasury officials by representatives of banks, brokers and companies which have been leading the campaign against the new tax.

They have been encouraged to devise an alternative scheme by private investors. The Treasury would be prepared to consider one provided that it could be adequately policed.

Treasury officials told the representatives that they would examine the proposal which was announced in the UK budget in March 18. The Treasury declined publicly to confirm, however, that it was prepared to alter the proposal.

None the less, the precise provisions of the ADR tax are not expected to be spelled out when the Finance Bill, which implements budget proposals, is published today, but are due to be unveiled after further consultations when the bill reaches the committee stage. Officials cautioned, however, that the delay did not imply imminent changes to the budget move.

Leading British companies, some with substantial portions of their equity already in ADR form, have sharply criticised the tax as protectionist and as reducing foreign interest in their shares at a time when many have been specifically trying to cultivate investment from abroad. Trading in the New York market in British ADRs has fallen to about a third of its former very active levels.

Corporate treasurers have launched a joint initiative with brokers and banks – particularly banks which act as custodians for UK shares and issue the ADRs representing them – aimed chiefly at persuading Mr Nigel Lawson, Chancellor of the Exchequer, to abandon the tax.

Failing that, they want it changed – and not simply reduced as was suggested on Monday by Mr Robin Leigh-Pemberton, Governor of the Bank of England.

Mr Lawson has made clear that the tax was aimed at preventing UK investing institutions from escaping stamp duty by trading in New York rather than London, and not at discouraging US investors from investing in UK stocks in ADR form.

CONTENTS

THE US ATTACK ON LIBYA

The 10-day countdown to Reagan's decision to order jets in

Robert Graham and **Quentin Peel** on the build-up to the US response

APRIL 5—Bomb explodes in West Berlin discotheque frequented by US servicemen—two killed (one US sergeant) and 230 injured.

APRIL 6—US blames Libyan agents in broad accusations.

APRIL 7—France expels two Libyan diplomats under US pressure to act against "unacceptable" activities of Libyan People's Bureau.

APRIL 8—Mr Richard Burt, US ambassador in Bonn, directly accuses Libya and states US has proof of Libyan involvement in bomb attack through telephone intercepts.

APRIL 9—West Germany announces expulsion of two Libyan diplomats and forthcoming measures to restrict 11-man Libyan People's Bureau in East Berlin from entering West Berlin.

US military moves: aircraft carrier, Coral Sea, stationed off Malaga and due to leave Mediterranean after action on March 24-25 against Libyan missile sites, called back to join Sixth Fleet battle group.

Leaked reports from Washington that Libyan targets selected and options considered for using long-range bombers—either US-based B-52s or F-111s stationed in the UK.

Diplomatic moves: consultations with UK over use of F-111s and transit over French airspace. EEC ministerial meeting on Libya and terrorism brought forward from April 16 to April 14 in the Hague.

Public policy: President Reagan readies public opinion for action. "We are not going to sit here and hold still . . . If there is identification enough to respond, then I think we respond."

APRIL 11. Diplomatic moves. US tries to overcome French legal objections to use of force.

US military moves: Sixth Fleet battle group, headed by carriers, America and Coral Sea, rendezvous off Sicily. Only 160 aircraft. Experts point out US likely to ask Britain to let F-111s be used for Libyan attacks.

APRIL 12. President Reagan's special envoy, Gen Vernon Walters meets British Prime Minister Mrs Margaret Thatcher to brief on US plans and obtain consent for use of UK-based F-111s in attack on Libya.

APRIL 13—Mr John Whitehead, US Deputy Secretary of State, claims considerable evidence linking Col. Gadaffi to West Berlin bombing and a campaign of world terrorism directed against American targets. He hints at military action: "The prospect of military action is something only the President can decide on. He has not yet made that decision. It is one of his options."

APRIL 14—Gen Walters meets President Francois Mitterrand but the French refuse to condone military action against Libya. British Cabinet Defence Committee meets to consider US military option.

EEC Foreign Ministers meet in The Hague at Italy's and Spain's request in emergency session to co-ordinate attitudes on Libya and terrorism.

No hint was given during the course of the emergency meeting by any of the participants—including Sir Geoffrey Howe, the British Foreign Secretary—that Washington was known to be going ahead with the attack regardless, according to officials.

Afterwards it was thought that some ministers "had a greater sense of urgency about likely US action than others," according to one spokesman.

Most ministers attended the emergency meeting in The Hague at least partly in the hope that their joint conclusions would restrain US action, and strengthen the hand of those in Washington urging caution.

But the British argued that the EEC should not aim at influencing what the US should do, but rather should focus "on what Europe should be doing to deal with Libya."

Britain and the Netherlands called for closure of Libyan People's Bureaux in EEC capitals, as the strongest possible diplomatic sanction.

That was too strong for the rest, including West Germany and France.

At the other end of the spectrum, Greece and Italy wanted the threat of military action identified and rejected. The five hours of debate gradually toned down both extremes to reach the conclusion of limited diplomatic sanctions, identification of Libya as clearly implicated in terrorism, and a cautious call for general restraint.

In the course of the discussion, the likelihood of US action was mentioned among others by Mr Hans-Dietrich Genscher, the German Foreign Minister—but only in general rather than specific terms.

MIDNIGHT. Military action: US jets from Sixth Fleet battle group and Upper Heyford in the UK attack targets in and around Tripoli and Benghazi.

President Reagan justifies the attack: "Our evidence is direct, it is precise and it is irrefutable" (referring to the Berlin bomb). "We have solid evidence about other attacks Gadaffi has planned against United States installations and diplomats, even tourists.

"Today we have done what we had to do. If necessary, we shall do it again . . . It must be the core of Western policy that there be no sanctuary for terror and to sustain such policy, free men and free nations must unite and work together . . .

"For us to ignore by inaction the slaughter of American civilians and American soldiers, whether in nightclubs or airline terminals, is simply not in the American tradition. When our citizens are abused or attacked, anywhere in the world, on the direct orders of hostile regime, we will respond so long as I am in this office.

"Self defence is not only our right, it is our duty. It is the purpose behind the mission undertaken tonight—a mission fully consistent with Article 51 of the United Nations Charter."

UK did not tell EEC of decision to allow use of airfields

Robert Mauthner reports on the British version of events

BRITAIN did not tell its European Community partners that it had given permission to the US to launch an air attack on Libyan targets from British air bases, officials said in London yesterday.

Nor was Sir Geoffrey Howe, the Foreign Secretary, told of the final decision by the US to go ahead with the air strike against Libya until his return from the meeting of EEC foreign ministers in the Hague on Monday night.

According to the official British version of events, Sir Geoffrey was handed a message from Downing Street to go to see Mrs Margaret Thatcher, the Prime Minister, on his return at 1930 local time at Northolt airport on Monday. He was then told by Mrs Thatcher that the Americans had launched their attack.

British officials do not deny, however, that Sir Geoffrey was aware of Washington's intentions, which had been communicated to the British government last week, as Mrs Thatcher informed the Commons yesterday. "The British government had been made aware of US intentions through the visit last week of US envoy General Walters and observed that General Walters had also visited a number of other European capitals," the Foreign Office said yesterday.

That statement appears to imply that not only the British, but also other European governments had been informed of what the US intended to do at the time of the Hague meeting of foreign ministers. Yet the exchanges between the ministers on the subject of the threat of US military action seem to have been surprisingly brief, at least during the plenary session.

Indeed, British officials claim that the main purpose of the Hague meeting was not "to dissuade the US from taking military action."

About 90 per cent of the discussions were devoted to the European response to Libyan terrorism, not to pre-empting an American military strike, it is maintained in London. Everybody knew that what was decided in the Hague, though a considerable advance in European terms, would not be enough to deter the Americans.

If the foreign ministers' final statement nevertheless urged "restraint on all sides," that was mainly a concession to the Greeks, who would otherwise not have subscribed to the measures curbing the movement of Libyan diplomats and imposing stricter visa requirements on Libyan nationals, according to the British view.

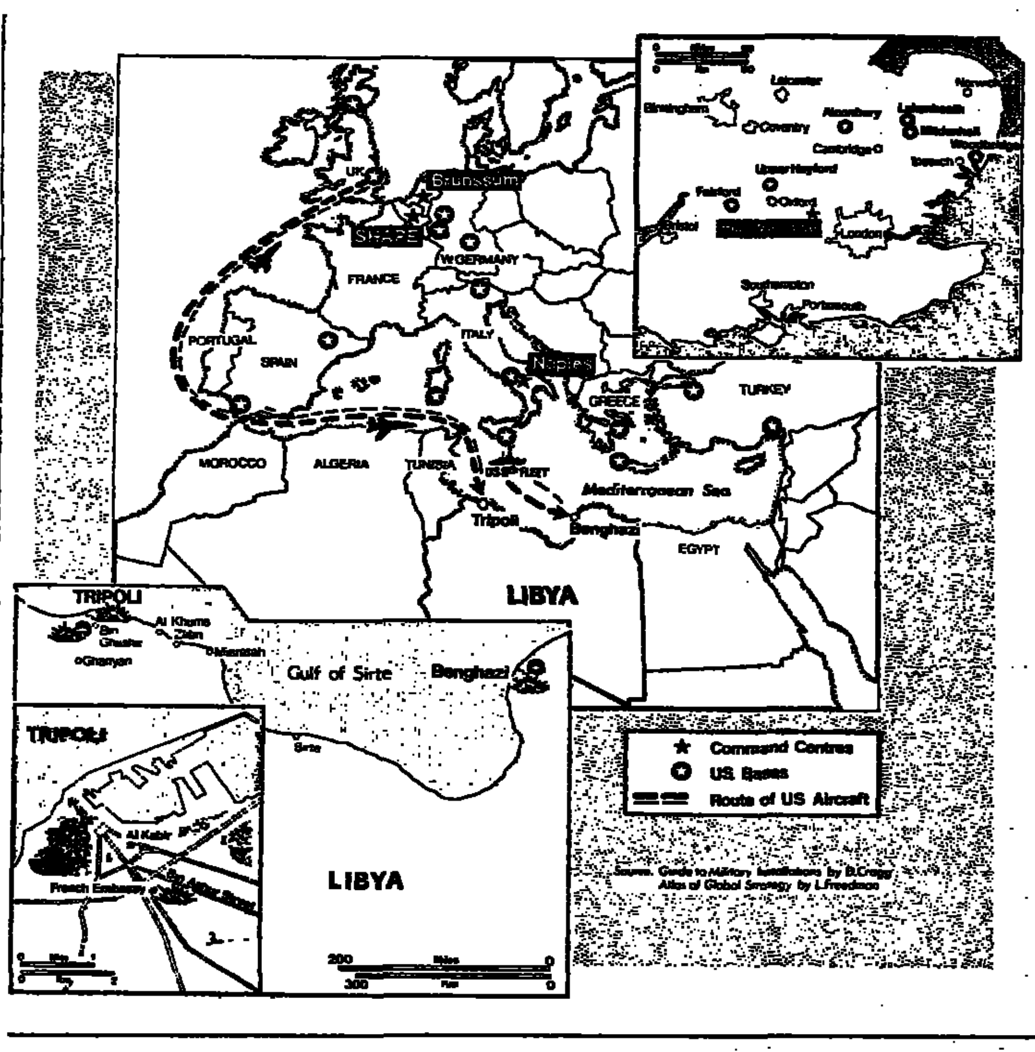
The British Government bases its support of the US military action against Libya on article 51 of the United Nations Charter, which recognises the inherent right of self-defence of member countries.

The US was informed by the British Government that, as long as the US action was in keeping with international law, London would support it. Britain's view of the legality of the US air strike against Libya was set out by the Foreign Secretary in the Hague on Monday.

"A state which has suffered from terrorist acts can exercise its right of self-defence against specific targets which are involved in the conduct and support of those acts, and whose activities are sanctioned by the authorities of the state where those targets are located," Sir Geoffrey said.

In a TV interview yesterday, Sir Geoffrey said there was "sound, solid evidence" that Libya had been promoting over a long period terrorist action against the UK and other countries and that it had further plans for similar action.

Libya had been asked to refrain from "state promoted terrorism" many times, yet it had refused to do so. In those circumstances, there could be no doubt whatsoever of the right of a nation to act in self-defence.



Why F-111s based in UK were chosen for raid

Bridget Bloom on the UK's controversial role in the attack

AS THE American F-111 fighters returned from Libya yesterday to their bases in the English countryside, Britain's close military ties with the US again threatened to cause a major political storm.

More than half of the UK-based F111s now deploy a laser targetting system known as Pave Tack, which allows each aircraft to carry four 2,000 lb laser guided bombs. These offer much greater accuracy—to within 100-200 ft of the target—although first reports yesterday suggested that a communications tower in Tripoli had even so escaped while residential buildings had been hit.

The 16 two-seater supersonic F-111s and their support aircraft returned to Lakenheath in Suffolk and Upper Heyford in Oxfordshire, two of nine main operating bases of the US 3rd Air Force which, with more than 350 frontline aircraft and some 25,000 US personnel, is based in the UK.

These installations, plus more than 70 other US military establishments or bases, some of which would be shared with Britain in time of war, had led to Britain being dubbed America's aircraft carrier in Europe. It is a controversial role, which last made headlines in 1982-83 when US cruise nuclear missiles began to be deployed at Greenham Common in Berkshire.

Then, as now, the critical question centred on control of the use of the bases, which though still legally RAF property and nominally under the control of RAF station commanders, are wholly administered by the US.

The issue in 1982-83 was whether Britain could ever veto a US decision to fire its nuclear missiles (or deploy F111s in a nuclear role) from British soil. For the more limited use of the bases against Libya, as Mrs Thatcher, the Prime Minister, made clear yesterday, British agreement was both sought and given.

Given the importance of the issue, it seems surprising that no formal agreement covers the use of the bases. The key "understanding" was reached in October 1951 by Prime Minister Attlee and President Truman and confirmed four months later by Mr Churchill. No documents have ever been published but Harold Macmillan told Parliament in 1957 that the use of the bases in emergency was "a matter for joint decision by the two governments in the light of circumstances prevailing at the time" — wording that has been repeated, with no further clarification, by the present government.

Whether or not this could amount to a veto has apparently never been tested, partly no doubt because the use of the bases has always been foreseen in the context of a major attack on Nato from the Warsaw Pact.

Yesterday evening it was not clear precisely which of the 150 F-111s based in Britain had been deployed to Libya. However it would seem that, despite press briefing in Washington over the weekend that the 160 A-6 and A-7 tactical fighters aboard the three carrier groups in the Mediterranean would be adequate for the task, the USAF decided to use the F-111s because of their greater firepower, accuracy and ability to target at night.

Britain is the forward base for the swing-wing F-111 in Europe. Most of the US Air Force jets in Germany — about 300 out of a total of some 760 in Europe as a whole — are shorter range fighters and attack aircraft — F4 Phantoms, new F16 and F15 fighters.

Moscow hopes to make political gains from air strike

Patrick Cockburn in Moscow assesses Soviet reaction to the American raid

AT 5.58 am yesterday morning the Soviet news agency Tass reported: "The Libyan capital has been subjected to an air attack. Explosions are heard in the city."

An hour-and-a-half later the first Soviet commentary said: "American imperialism has perpetrated a new bloody crime."

Soviet reaction continued to be vociferous throughout the day but there is no sign that Moscow contemplates any military response to the American action unless President Reagan escalates the crisis into an attempt to overthrow Col Muammer Gadaffi, the Libyan leader.

This might change the nature of the Soviet reaction. But faced with anything short of a US invasion of Libya the Soviet Union estimates that it stands to make political gains from the American air strikes, say diplomats in Moscow.

By yesterday morning the Soviet media was already publicising the negative reaction of Arab, West European and Third World governments to the raid.

In the past Moscow has always been careful to keep a certain distance from Col Gadaffi. Although it is Libya's main weapons supplier it has no treaty of friendship and co-operation with Libya, as it does with Syria, Iraq and South Yemen—its other principal allies in the Arab world.

At the end of last month the Soviet foreign ministry said the idea of a friendship treaty with Libya had been abandoned.

Sam-5 anti-aircraft missile batteries, serviced by Soviet technicians, were sent to Libya after Col Gadaffi paid a visit to Moscow last October but the Soviet Union has no treaty obligation to defend Libya.

At the same time Mr Gorbachev and Mr Shevardnadze, the Soviet Foreign Minister, have given more attention than their predecessors to improving political links with neutral, non-aligned and Third World states. It is symptomatic of this that Mr Gorbachev saw Mr Ingvar Carllson, the Swedish Prime Minister, in the Kremlin within hours of the US attack.

The danger for Mr Gorbachev is that while the American action may increase the Soviet Union's influence among non-aligned states, it also demonstrates the inability of Moscow to help its friends.

There are those in the Communist Party central committee who therefore argue that the time has come to show President Reagan that the USSR cannot be pushed around. This would mean more military aid for Soviet allies under pressure.

But the Soviet response is likely to be cautious. Dr Georgy Arbatov, the head of the USA and Canada Institute and an influential adviser to Mr Gorbachev, has interpreted the US action against Libya, the increased US aid to rebels in Afghanistan, Nicaragua and Angola and the manoeuvres of the US fleet off the Crimea as an attempt by far right within the Administration to sabotage improved relations between Moscow and Washington since the Geneva summit.

The Soviets are clearly nervous that over reaction on their part will play into the hands of those in Washington opposed to warmer relations between the super powers.

According to foreign leaders visiting the Kremlin recently Mr Gorbachev is still in favour of holding a summit with President Reagan this year though the chances of the meeting are bound to be affected by the Libyan episode.

Mr George Shultz, the US Secretary of State, and Mr Shevardnadze, his Soviet counterpart, meet in Washington next month to start negotiations on the summit. The key here is less regional conflicts than nuclear arms control.

Mr Shevardnadze will look for some measures, such as reaffirmation of the 1972 Anti-Ballistic Missile Treaty by the US, for signature during the summit.

If this can be agreed then the summit is likely to take place. If, however, no substantive agreements can be reached in May or at subsequent meetings then Mr Gorbachev is not likely to go to Washington. The Libyan crisis will influence but not be the determining factor in the decision.

Attack causes dismay in European capitals

FRANCE yesterday condemned the US raid on Libya as "triggering off further violence" in "the intolerable escalation" of terrorism in the world. **David Housego writes from Paris.**

The French Government's firm statements of disapproval was made notwithstanding French acceptance that the Libyans have a strong responsibility to bear for their support of terrorist actions. But the French do not believe that Col Gadaffi's regime is the only one in the Middle East to support terrorism or that a bomb attack on his capital was the right way to handle the issue.

None the less, to remove any impression that Franch favours more concilatory action towards Col Gadaffi than other European governments the French statement emphasised the need for European coordination to preempt any Libyan moves against other European countries—in particular Italy or Spain.

French officials confirmed yesterday that France had refused overflight rights to the US on Saturday—when the government was first given wind of the US intentions. They also confirmed that the two Libyan diplomats expelled last week had been involved in a planned bomb attack against US embassy buildings.

Bonn: The US attack on Libya has generated dismay and widespread condemnation in West Germany, only thinly papered over by a compartively mild and sympathetic reaction yesterday from Chancellor Helmut Kohl, **Rupert Cornwell reports.**

In a statement endorsed by his Christian Democrat party Mr Khol reiterated his basic opposition to the use of force by Washington. But, he went on, "anyone who, like Colonel Gadaffi, constantly preaches and practises violence must assume that those who are the targets will take steps to defend themselves."

The Chancellor, who is only said to have learnt of the US reprisals from news agency reports after it had been carried out, again expressed his understanding for the frustration of the Americans, and their anger at international terrorism directed against themselves.

But he again would not go beyond a reference to "clear pointers" — as opposed to the firm proof claimed by Washington—of Libyan involvement in the Berlin discotheque bombing early on April 5, the *casus belli* of the US retaliation of Monday night.

Amsterdam: The Netherlands reacted swiftly with Mr Ruud Lubbers, the Dutch Prime Minister, "deploring" the US bombing of Libya, **Laura Raun reports.** The Hague has recently shown signs of moving closer to the US position on Libyan-backed terrorism but steadfastly has rejected military retaliation.

Mr Hans van den Broek, the Dutch Foreign Minister, indicated his regret that the US move came so closely on the heels of Monday's emergency session of EEC foreign ministers chaired by the Netherlands, the current president of the Community. "We agreed on (diplomatic) measures against states that are clearly implicated in supporting terrorism, such as Libya," he said in Stockholm yesterday.

Madrid: Mr Felipe Gonzalez, the Spanish Prime Minister, who yesterday expressed his disagreement with the US action against Libya, confirmed that one of the F-111 bombers had been allowed to make an emergency landing after the attack at the US-Spanish naval base at Rota, near Cadiz, **David White reports.**

However, he said that the repairs needed on the aircraft were apparently unconnected with any damage sustained during the action and that emergency landings were provided for under the two countries' bilateral agreement. He firmly denied that US bases in Spain had been used for refuelling or other purposes during the attack, or that the US bombers had flown through Spanish air space.

Both Mr Gonzalez and Mr Poul Schlueter, the Danish Prime Minister, who was on an official visit to Spain, criticised the US handling of the situation, while at the same time reaffirming the need for joint efforts to combat terrorism.

Athens: the Greek Government yesterday condemned the US air attack and strongly criticised those EEC governments, which, according to Washington, had been informed of the operation in advance for "violating the moral rules of political co-operation" in having failed to advise their Community partners of the American plans, **Andriana Ierodiaconou reports.** According to a Government spokesman, the EEC ministers' meeting may take place tomorrow in Paris.

Gandhi supports Libyans

FOREIGN ministers of countries in the Non-aligned Movement (NAM) last night condemned the US attacks as a "dastardly, blatant and unprovoked act of aggression" writes John Elliott from New Delhi.

They pledged their "full support" to Libya and called for the UN Security Council to back the condemnation and ensure that Libya receives "full and prompt compensation." The UK was also implicitly condemned for giving "support and collaboration" to its Nato ally.

Earlier, Mr Rajiv Gandhi, the Indian Prime Minister and NAM chairman, expressed "firm support and solidarity to Libya in this critical hour." India found it "reprehensible that a permanent member of the Security Council has taken the law into its own hands."

Countries belonging to the movement which condemned the attack during and emergency meeting in New Delhi included Pakistan, which depends heavily on the US for economic and defence aid, Egypt, Yugoslavia, Cuba, Afghanistan and Uganda on behalf of African countries. They were assembling for four days of routine meetings o the movements' co-ordinating bureau.

Libya is a member of the movement and Mr Omar Al-Aukali, its Ambassador in New Delhi, thanked the meeting of more than 50 of the movement's 100 members.

India's outspoken leading role in attacking the US is specially significant because the two countries have been drawing closer

Controversy over right of self-defence

A H Hermann looks at the legal implications

IF ONE accepts that Libya was neither involved in terrorist activities abroad, nor threatened such, both the US and the UK are guilty of aggression.

However, if the US, the UK and other members of the EEC are right in assuming that Libya was involved in and threatened further terrorist attacks in Europe, some of which were aimed against US tourists, embassies and army personnel, the answer is not so simple.

According to the experts of the British Institute for International and Comparative Law, international conventions and the doctrine of international law draw a very fine balance between the prohibition of aggressive acts and the right to self-defence. Drawing conclusions from the institute's view of the international law, it could be said that it allows a pre-emptive strike as part of a defensive action.

The principal rule prohibiting the threat or use of force aimed at the territorial integrity or independence of another state is contained in Article 2 para. 4 of the UN Charter. This, however, is qualified by Article 51 which affirms the inherent right of individual or collective self-defence. Governments acting in self-defence are obliged to notify the Security Council and to cease their operations as soon as it has succeeded in restoring peace.

The Declaration on Friendly Relations, unanimously adopted by the UN in 1970, reaffirms the right to self-defence but excludes the use of force for the purpose of reprisals, except when there is a state of war between two countries.

It is a subject of controversy whether the UN Charter and Declaration approve of "anticipatory self defence." One school of thought would only admit it as a reaction to an attack which has already materialised. Another school takes the view—shared by the US—that a pre-emptive strike is a permitted form of defence.

As always, the question "who started" will be crucial. In attempting to answer it, one should refer to the Definition of Aggression adopted by the UN in 1974.

It starts with a tautology, saying that the first use of force, an invasion or attack on the territory or another state for example, is on first sight an evidence of aggression. Bombardment of a foreign territory is given as an example.

In considering the British position in the present conflict, one must take into account Article 3(f) of the Definition which states that a third party which allows bases situated on its territory to be used for hostile acts amounting to aggression is itself also guilty of it.

Some help in the legal appreciation of the present conflict is provided by paragraph 9 of the Declaration of Friendly Relations. It states: "Every state has the duty to refrain from organising, instigating, assisting or participating in . . . terrorist acts in another state or acquiescing in organised activities within its territory directed towards the commission of such acts when (they) involve a threat or use of force."

Moderate Gulf states embarrassed by US retaliation

THE AMERICAN strike on Libya was roundly condemned by the moderate states in the Gulf, but is likely to put them in a critical and embarrassing position, say commentators in the region, writes **Kathy Evans in Abu Dhabi.**

Saudi Arabia took the lead in denouncing the attack, which a government spokesman said "ran counter to international law." The Kingdom said that such disputes should be solved through international organisations, such as the UN Security Council. The statement renewed Saudi Arabia's support for the Libyan people and any other Arab country which might be attacked.

The Saudi statement appeared to be carefully general in nature, and similar declarations which followed from other Gulf states made no mention of the name of the Libyan leader, Col Muammur Gadaffi, or the embargo called for by the Libyans.

The American action puts the Gulf states "between two fires," remarked one observer. On the one hand, Libya supports Iran in its war with Iraq, and the current offensive by Iran has highlighted the Gulf states' alliance with the US, a fact of life brought home recently by the visit of US Vice-President George Bush to the area only a week ago.

On the other hand, the Gulf states have to be seen to be doing more than issuing rhetorical declarations of support.

"The American strike has already made Col Gadaffi a prophet. The Gulf states cannot remain on the sidelines now, pretending that this does not concern them," said one senior editor in the region.

The Kuwaiti Deputy Prime Minister and Foreign Minister, Sheikh Sabah al Ahmed al Sabah, did, however, call for the convening of a high level Arab meeting but most observers did not expect such a conference to take place for at least a week or more.

The carefully worded condemnation from the Gulf contrasted with the threatening tone of statements from Tehran, where Iranian Prime Minister, Mr Hossein Mousavi, said that the US attack "had destroyed the security of American citizens and institutions throughout the Islamic world."

Andrew Whitley in Tel Aviv adds: Israel voiced strong support for the US bombing raid on Libya, describing it as "justified" and an act of "self-defence."

Mr Yitzhak Rabin, the Defence Minister, said the strike was "a determined and daring action" against a leading country involved in the encouragement, financing and support of international terrorism.

Mr Yitzhak Shamir, the hard-line Foreign Minister, added: "If we want to put an end to terrorism, we have to punish these countries and convince them to change their way of action."

While backing the action, government ministers were nevertheless at pains to stress that Israel had not been involved in any way, and had not received prior warning that it was to take place.

هكذا من الأصل

Berlin police lack proof linking Libya to nightclub blast

Leslie Colitt reports on the probe into the terrorist attack

A SENIOR West Berlin police investigator said yesterday that there was no "concrete indication" of Libyan involvement in the recent bomb attack on a West Berlin discotheque, which killed two persons, one of them a US serviceman.

Mr Dieter Piete, head of a special police unit investigating the discotheque bombing, said he did not have a "hot lead or even a warm one" despite President Reagan's claim to have irrefutable evidence that Libya had ordered and carried out the terrorist attack on April 5.

Mr Piete said he was aware of the intelligence information on which President Reagan based his assertion. But he noted that this was of little use in a police investigation in which clues and evidence from witnesses played the major role.

He noted that, because the dead in the discotheque attack were "chance victims," they offered no clues as to the perpetrators.

The Berlin police official said he was not able to determine whether the information in the intercepted messages was accurate.

"I would have to know whether there was a voice or a message coded in numbers or words," he said.

US officials in West Berlin said the evidence of Libyan involvement passed on to the White House was "conclusive." They noted, however, that the raw intelligence information was not given to the West Berlin police because intelligence officials feared it might reveal how the messages were intercepted.

The US maintains two large electronic listening-posts in West Berlin, where it is common knowledge that they monitor military and civilian communications inside East Germany.

US troops in West Berlin were placed on a high alert status yesterday in anticipation of possible retaliatory attacks on American military and civilian installations in the city.

The West Berlin police, on instruction from the three Western allies, checked identity cards of hundreds of non-Germans in the underground and urban railway lines from East Berlin. Checkpoint Charley and other border crossing-points along the Wall were also closely scrutinised by the police, who had orders to prevent diplomats from the Libyan People's Bureau in East Berlin from entering West Berlin.

The Libyan diplomatic building was guarded by several East Berlin policemen.

No immediate pullout of foreigners, say embassies

EMBASSIES in Libya are holding off any mass evacuation of foreigners after the US air raids on Tripoli, diplomats said yesterday, Reuter reports from Tripoli.

They said most Western embassies had contingency plans to pull their nationals out of Libya in an emergency but no orders had been given for an immediate mass evacuation. "There is no panic here," said one diplomat, who asked not to be named.

Diplomats estimate at least 40,000 nationals from Western Europe are living and working in Libya.

Most Americans left under orders from President Reagan when he imposed an economic boycott of Libya last February.

Libya also has a big foreign workforce from Turkey and South Korea, attracted by the oil boom which has faded in the last two years.

Libyan radio said foreigners were included among an undetermined number of civilian casualties.

Italy, which does substantial trade with Libya, has the largest presence from Western Europe with some 8,000 nationals.

The British community has dwindled to 5,000 since London severed diplomatic relations with Tripoli over the shooting of a British policewoman in 1984.

Diplomats say there are also some 1,300 West Germans and 1,200 French. South Korea has 21,000 nationals working in Libya.

Diplomats said any mass evacuation would be difficult because many foreigners were scattered throughout the country. Some work in oilfields in the desert, others on remote construction sites.

Airport boycott backed

WORLD commercial airline pilots have given the officers of their international federation the power to boycott nations that encourage terrorism and to avoid airports that do not have adequate security, writes James McDonald.

The action of the International Federation of Air Line Pilots Association (Ifalpa) was announced in London yesterday by Captain R. H. J. Smith, the president of the association, which is an organisation of airline pilots' associations from 60 nations and representing 60,000 pilots.

The federation would not specify yesterday the airports which could be boycotted by pilots.

Captain Smith said: "In response to the increasing number and severity of terrorist acts against civil aviation, the airline pilots of the world have united to fight the common enemy of organised international terrorism.

"We will seek to stop airline flights to and from any country that encourages terrorism against civil aviation or harbours such terrorists.

"By resolution passed today by the full conference of Ifalpa, our principal officers were empowered to call on all member associations to cease airline operations at any airports of a nation that promotes unlawful acts against civil aviation."

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A long delay before polling could lead to internal strife in the Pakistan People's Party, reports **John Elliott**

Bhutto pins hopes on forcing an early election

"I HAVE come back to test democracy," said Miss Benazir Bhutto, 32-year-old daughter of the late Mr Zulfikar Ali Bhutto, former prime minister of Pakistan, when she returned to her country last week to pick up her father's political inheritance and call for instant elections.

Democracy is operating and we held elections at the end of last year. So there are no polls to be held till 1990, chorussed Mr Mohammad Khan Junejo, Prime Minister, and President Zia ul-Haq, Pakistan's former military ruler, who executed Mr Bhutto in 1979.

It is that deadlock which Miss Bhutto is trying to break before the onset, around May 10, of the month-long Moslem festival of Ramadan which will put a brake on political campaigning.

She has been pulling massive crowds since she arrived in triumph at Lahore airport last Thursday morning. But she will have difficulty converting this mixture of political support, curiosity and the traditional south Asian frenzy of any public event, into the decisive campaign needed to turn the government.

Already there are reports of her supporters, tired and hot after waiting hours for her chaotic convoy to travel across the northern province of Punjab, being restless with her repetitive speeches and demanding more action.

Miss Bhutto has said that if she has not forced the government to announce elections by Ramadan — which seems most unlikely—she will have to rethink her campaign of peaceful demonstrations and processions. She might call disruptive days of protests and strikes.

Miss Bhutto salutes welcoming crowds shortly after her return from exile but the euphoria may not last. Already there are reports of her supporters being restless with her repetitive speeches

Both Miss Bhutto's Pakistan People's Party and the Government are trying to avoid violence at present. The Government knows that the death of a few demonstrators would spark a backlash. The violence unleashed could destabilise the administration which is cautiously trying to run a limited form of democracy, watched by powerful top army officers who might be tempted to reintroduce martial law in the event of widespread unrest.

Miss Bhutto, on the other hand, is desperately anxious to live down the memory of the violent excesses of her father's regime in the 1970s. A memory which could be her biggest electoral liability because of the fear instilled by her father's secret police and rough activists.

There are fears that the urban youth, who have been mobbing Miss Bhutto and giving Bhuttoism a new political lease of life, could easily become violent. And the spectre of the 1970s reappeared when a senior PPP official and aide of Miss Bhutto was seen last weekend by foreign journalists slapping the face of a young army major who had attacked a house in Lahore which had been used by Miss Bhutto.

But without some form of escalation, Miss Bhutto's campaign could fade away. Her best chance of forcing the Government into a corner is to act fast. Her best chances of achieving a landslide election victory is to have polls by the beginning of next year.

If she fails to achieve this, and has to wait until 1990, she could become bogged down by internal strife within her party. Other opposition parties, which have also been pulling big crowds to meetings recently, would also eat into her party's potential success.

So it is in the interest of the Government to try peacefully to slow her down and avoid an early election which could sweep Mr Junejo out of power into the political wilderness and saddle President Zia with the prospect of exile or a treason trial for constitutional and other crimes allegedly committed in the 1977-85 period of martial law.

Top army officers are still a significant power behind the thrones of these two men and President Zia has maintained the controversial job of Chief of Army Staff to try to ensure he is not stabbed in the back.

But, unlike the situation in the Philippines, with which Miss Bhutto often draws parallels, there are no signs of army brass defecting to her. She is also short of supporters in other areas.

Although there is speculation that top politicians from other parties might join her, members of the national and provincial assemblies elected last year want to be able to exercise until 1990 the power and patronage they have bought with funds spent on last year's elections. Other opposition parties generally think their electoral chances will improve in relation to the PPP by 1990.

Rich landowners, who have traditionally backed the PPP, and businessmen also have little to gain from early elections unless they are prepared to gamble and commit themselves publicly to Miss Bhutto.

Her other problem is that there are no burning economic or social issues with which she could whip up dissent. The economy has picked up in recent months, boosted by a record cotton crop and an expected bumper wheat crop. The fall in oil prices is boosting the balance of payments and foreign exchange reserves, although it will create problems later by reducing the size of remittances sent home by Middle East workers who are likely to be returning to Pakistan in increasing numbers.

"If there is democracy, the Government will have to give us dates for elections. If there is no democracy, they will have to resort to repression," says Miss Bhutto.

She might find that, if she fails to get an election date early, her own political future would be best assured by encouraging that "repression" so that she is returned to the politically rewarding martyrdom of a further spell of exile or house arrest.

Moscow embarrasses Peking with summit suggestions

BY ROBERT THOMSON IN PEKING

THE suggestion of a Sino-Soviet summit, emanating from Moscow, has caught the Communist giants out of step, much to the embarrassment of the Chinese Government.

A Chinese vice-foreign minister, Qian Qichen, returned to Peking yesterday from talks in Moscow aimed at normalising bilateral relations, but would not be drawn on reports that a summit between the two countries' leaders had been suggested during the discussions.

Qian would not say whether the talks had achieved "any result." He gave the impression that nothing of substance was raised to overcome China's list of obstacles to normal relations.

However, the Soviet news agency Tass has emphasised that the area of potential co-operation between the two countries is vast, and suggested that a significant contribution could be made to relations by contacts leading up to a summit.

Diplomats say China has been annoyed in recent months by the Soviet attempt to talk up the progress made in relations. Chinese officials are said to have been particularly annoyed by Soviet suggestions that the countries have discussed a non-aggression treaty.

China has emphasised that there can be no fundamental improvement in political relations without the removal of the "three obstacles": the Soviet occupation of Afghanistan; Soviet support for the Vietnamese occupation of Cambodia and the mass of Soviet troops on the Chinese border.

Soviet and Chinese spokesmen have given very different accounts of a proposed meeting of foreign ministers. The Soviet line is that a date has been fixed for the middle of this year but the Chinese deny any date has been settled.

Diplomats say the Soviet summit move is another attempt to force the pace and China is unlikely to co-operate with such a plan as relations have not progressed far enough.

The Soviet Union has used gains in economic relations—trade volume rose 61 per cent last year—to claim gains in political relations, while the Chinese have gone to great lengths to separate the two areas.

Another round of the normalisation talks, which began in 1982, is expected in October.

Witchcraft suspected in S. African homeland deaths

BY ANTHONY ROBINSON IN JOHANNESBURG

THE DISCOVERY by police of 32 badly burnt bodies in the black homeland of Lebowa on Monday has focussed attention on the extension of violence beyond the black townships to several homelands.

Yesterday the police, after examining the bodies which were found lying in shallow graves covered by brushwood, said they were investigating the possibility that some of the dead were victims of witchcraft.

The discovery comes after weeks of violence in the homeland, situated in north-eastern Transvaal. Rival factions have clashed, several tribal chieftains and local businessmen have been murdered and threats have been made against members of the Lebowa assembly.

At least two black members of radical anti apartheid organisations, including a prominent black trade unionist, have died in police custody over the last two weeks. Many others are reported missing.

The United Democratic Front (UDF) recently accused Lebowa police of waging a virtual civil war on black political activists and at least 12 deaths from political violence have been reported over the last month.

Similar violence has also afflicted neighbouring homelands like Bophuthatswana where 11 people were shot dead by police and over 2,000 were arrested on March 26 after police broke up a demonstration protesting against poor housing and other conditions in the sprawling Winterveld squatter camp north of Pretoria.

Last week police banned a planned mass funeral and civil rights activitists are protesting against the detention without trial of many of the arrested demonstrators.

Sabah's chief minister backed

THE high court in the troubled oil and timber-rich east Malaysian state of Sabah has dismissed the claim by Tun Mustapha, the opposition Moslem leader, to the chief ministership of the state, and reaffirmed Datuk Joseph Pairin Kitingan in the post, writes Wong Sulong in Kuala Lumpur.

The decision means that fresh state elections, called by Pairin to break the year-old political deadlock will be held as scheduled on May 5 and 6.

Sudan coalition in prospect

SUDAN'S first free elections in 18 years last night looked set to produce a hung parliament, writes **John Murray Brown** in **Khartoum**. With over half the results declared the right-wing Umma Party, led by Mr Sadiq el Mahdi, were leading their rivals, the conservative Democratic Unionists Party (DUP), and looked likely to hold the largest number of seats in the 301-member national assembly. Of 147 seats counted Umma had 69 and the DUP had 53.

$250m Nato arms fund must be spent in US

By Bridget Bloom, Defence Correspondent, in Brussels

A NEW $250m fund set up by the US Congress to finance armaments co-operation within Nato must be spent entirely within the US, a senior Pentagon official has said here.

Dr Donald Hicks, deputy under secretary at the Defence Department, said that the fund, established on the initiative of Sen. Sam Nunn, of Georgia, last year had been "fenced in" so that the US armed services could only use it to finance weapons projects which would be manufactured jointly with one or more Nato partners.

However, Dr Hicks noted that the dollars involved could only be spent in the US. No money would be available for disbursement within Europe unless it was provided by European governments, Dr Hicks suggested.

Dr Hicks' revelation that the Nunn fund will be entirely confined to spending in the US and, by implication, with US defence contractors, came as a shock to an audience of European businessmen and officials attending the annual DMS conference on Nato arms cooperation in Brussels.

The US Administration has made much of the fund recently, portraying it as one of the most constructive efforts to stimulate transatlantic arms cooperation in recent years.

Sen. Nunn, an influential member of the Senate armed services committee, sees the fund being used primarily for research and development of high technology conventional weapons.

However, it now appears that if European companies are to get a meaningful share of the projects involved, they or their governments must themselves contribute substantial sums.

Dr Hicks expects that the six projects now endorsed by Nato's armaments directors, who met here yesterday, would grow to 10 or 12 by the year's end. The six projects are:

- Modular stand off weapons —a "family" of "smart" bombs and missiles delivered by air within ranges of 50-100 kms of battlefield targets."
- A Nato-wide aircraft identification "friend or foe" system;
- development of the US high level computer language, Ada, for Nato's new weaponry and command and control systems;
- a multi-functional information distribution system primarily for the air battle;
- a 155mm autonomous "fire and forget" battlefield munition;
- an airborne radar system for battlefield surveillance and target acquisition.

Duvalier assets frozen

The Swiss Government said yesterday it had ordered a freeze of all assets held in Switzerland by ousted Haitian President Jean-Claude Duvalier, **Reuter reports from Berne**. The move comes less than a month after the Government ordered a similar and highly controversial freeze of assets in the name of Mr Ferdinand Marcos, the ousted Philippine President, the first such move by Swiss authorities.

Seamen's strike hits 31 West German ships

BY PETER BRUCE IN BONN

A SPREADING strike by West German seamen had idled some 31 ships in German and other European ports by yesterday afternoon, according to the country's biggest public service union, the OTV, which is leading the stoppage.

The union called the strike, the first by West German seamen in 80 years, late last Friday night after the collapse of annual pay and conditions negotiations with West German fleet owners, and officials warn that no time limit has been put on the action.

The OTV represents about half of West Germany's 20,000 merchant navy personnel. The strike, which appears to have taken ship owners and other maritime unions by surprise, followed the rapid disintegration of both the pay talks with the fleet owners and the intervention of a mediator, which by law has to follow the breakdown of such talks. The seamen specifically rejected the mediator's proposals to lengthen their holiday time from 112 days to 116 days a year. The OTV wants 142 days off a year for seamen, the same holidays that land-based members get.

Although the OTV and the fleet owners said late yesterday they planned to return to the negotiating table today, feeling on board the strike-bound ships is said to be running high. "We will strike until the boats rust," said one striker in Hamburg.

The OTV believes the extra holidays will, in effect, cut working hours and create more jobs. The number of West Germans at sea has fallen by 30,000 since 1970 and the country's share of the world's merchant fleet tonnage has halved, to about 1.35 per cent, in the last 10 years. Jobs in the German merchant fleet are so scarce that 4,200 people recently applied for 106 vacancies at sea.

The strike also threatens to become a test of the OTV's industrial prowess following its embarrassing failure late last year to win support for a strike which attempted to ground the national airline, Lufthansa, over a pay claim by maintenance personnel. That action, involving 6,000 OTV members, only delayed three flights and collapsed

'Virus' of the black economy is spreading fast

BY RUPERT CORNWELL IN BONN

WEST GERMANY'S official economy may be doing all right. But its unofficial, illegal "black" one is positively booming, if a cry of somewhat helpless alarm this week from the Federal Labour Office in Nuremberg is anything to go by.

According to Mr Heinrich Franke, the office's president, the size of the underground economy may now have reached DM 180bn (£52.6bn), or around 10 per cent of gross national product. It provides work for between 100,000 and 600,000 people—a latter figure which would put the country's official unemployment rate of 9.8 per cent or 2.45m in a rather different light.

But the cost to the state, he reckons, in terms of lost tax and social security payments, and unemployment benefits improperly claimed could run as high as DM 50bn a year. Such a sum, incidentally, is exactly double the present deficit of the Federal Government here.

Most worrying of all however, in a country notoriously hard to convince of the virtues of the unregulated, is that the "virus," to use Mr Franke's words, is apparently spreading fast, and hampering the chances of creating extra above-board jobs, on which of course the state can extract its tithe.

Instead, attracted by labour up to 50 per cent cheaper than the orthodox variety (where social security costs normally add 80 pfennigs of social security costs to every mark of basic salary paid by an employer) more and more companies are stepping outside the law. The abuse, Mr Franke declared, took three main forms.

- The illegal hiring and firing of employees, especially in the building industry, deep in recession and always prone to the vagaries of the weather. Of cases identified, more than half were in the construction sector.
- Employment of foreign workers without a permit, of which 23,000 cases were discovered in 1985. These workers, Mr Franke said, where often "shipped" into Germany from countries outside Europe, and once here could be appallingly treated.
- Misappropriation of public funds, when people with an unofficial job continued to be registered as unemployed and to draw welfare benefits to which they were not entitled.

The very nature of the beast makes the "black" economy almost impossible to measure. Last year regional labour offices discovered a total of 106,000 cases where existing labour laws had been abused. The number of prosecutions was 35 per cent up on 1984. But this was only the "tip of an iceberg," Mr Franke maintained.

This year an extra 250 specially trained staff are being drafted in by Nuremberg to tighten up controls. But the increasing skill of rogue employers in concealing illegal labour, often through dubious intermediaries, will not make the task of the authorities any easier.

In the meantime, the small and medium industry federation of the ruling CDU/CSU parties has urged that the mandatory national insurance cards be brought in, to reduce the scope for abuse. Perhaps more to the point however, the federation has called for less rigid contracts of employment, and a more flexible structure of pay bargaining, as a means of attracting the right workers to the right—legal—jobs.

Patrick Blum reports from Vienna on a bitterly-fought presidential election

Waldheim charges stir anti-semitism in Austria

AS new allegations and revelations surface daily about the war-time past of Dr Kurt Waldheim, former United Nations Secretary-General and a candidate in Austria's presidential election, opinions in Austria have become increasingly polarised.

Several months ago young Socialist Party officials suggested that the presidential campaign would probably liven up with some tough questioning about Dr Waldheim's past. None of them, however, could have expected or wished for what was to follow.

The international controversy that has resulted from allegations that Dr Waldheim had been a member of Nazi organisations and had been involved in Nazi atrocities in the Balkans has seriously damaged Austria's image abroad. It has also led to bitter exchanges between politicians in Austria and the bitterness will take a long time to wear off.

The controversy has brought to the surface issues which Austrians had long sought to forget. Whatever happens now, the row over Dr Waldheim and claims of a resurgence of anti-semitism in Austria, will have a long-term effect. Whether this will be cathartic—helping to bring the issues out for a full discussion—or whether it will encourage xenophobic reflexes will largely depend on the reactions of Austria's political elite.

Foremost among this is Dr Rudolf Kirschlager, Austria's popular president, who has to retire after two six-year terms of office, the maximum allowed by the Austrian constitution. He faces the most difficult problem of his presidency having been forced by circumstances to intervene in the controversy over Dr Waldheim.

Campaign poster for Mr Waldheim saying "a man with "experience," "a man for Austria" and "his experience for of us"

He will not relish the task. By tradition the position of president is a mainly ceremonial one. He stands above the infighting between the political parties and only arbitrates between them very occasionally and usually behind closed doors. Dr Kirschlager now finds himself having to pass judgment on the validity of claims against Dr Waldheim, the leading candidate in the election, a move which will inevitably influence the outcome of the election.

Dr Waldheim has firmly denied all the allegations but a question mark also hangs over his credibility for having until recently failed to make any mention of his wartime service in the Balkans. He has dismissed suggestions that he was hiding his past saying that there was nothing of note for him to say about himself in the three-year period between 1942 and 1945 that he served in Greece and Yugoslavia. But the discrepancies between his official biography and recent revelations have been damaging.

The allegations, first raised in Austria by the weekly magazine Profil and later taken up by the US-based World Jewish Congress, have transformed the presidential campaign in Austria into the most bitterly fought election in the country's post-war history.

Austrians are sensitive about criticisms of their country and more particularly over issues raised by its war-time past. Many politicians have closed ranks in the face of what they describe as "foreign interference" in Austria's internal affairs.

Even Dr Bruno Kreisky, the former Socialist Chancellor, a Jew and one of Austria's most outstanding post-war politicians, sought at first to dismiss the allegations as part of a campaign by the US and the World Jewish Congress to settle old scores with Dr Waldheim because they disapproved of his Middle East role during his time as UN Secretary-General.

It is now feared that if Dr Waldheim wins it will reflect badly on Austria, but if he loses it "will encourage some people to seek scapegoats abroad and especially among the Jewish community. As one political commentator put it: "That people may vote for Dr Waldheim despite the allegations can be understood but that they should vote because of the allegations is deeply disturbing."

Concern about the impact of the row within Austria has prompted several Austrian artists and intellectuals to call on Dr Waldheim to voluntarily desist from the presidential race. This was followed by an unprecedented appeal by nine prominent Austrians including the conservative deputy mayor of Vienna, a leading socialist parliamentarian and the publisher of the respected daily newspaper Die Presse, calling on Austrians to reject anti-semitism.

Jewish organisations in Austria had said earlier that they had received a large number of threatening letters warning of reprisals if Dr Waldheim was not elected. Dr Waldheim himself has strongly condemned anti-semitism but the emotions roused by the campaign have brought to the surface feelings which had lain dormant for years.

Dr Kreisky has warned that if Dr Waldheim is elected, an Austrian president may find himself the focus of demonstrations when travelling abroad. Dr Kreisky's warning however goes deeper. His own political outlook was formed out of experiences in the 1930s when political passions led to civil war, dictatorship and later to Nazism. Memories of that period explain why until now Austrians have regarded maintaining consensus as a matter of primary importance. The fear is that consensus is now breaking down.

Patronat official escapes Paris assassination bid

BY DAVID MARSH IN PARIS

MR GUY BRANA, a senior official at the Patronat, the French employers' federation, narrowly escaped an assassination attempt yesterday morning when two masked men fired on his car as he was about to leave his home in the western Paris suburbs.

Mr Brana, president of the Patronat's economic commission and a well-known figure on the French industrial scene, appeared to owe his life to a slight delay in climbing into the car yesterday shortly after 7 o'clock. His chauffeur, Mr Andre Fernandez, was however, admitted to hospital with head and shoulder wounds.

Police investigators yesterday were unsure about the motive for the attack. However it seemed to bear the hallmarks of previous actions by the left-wing terrorist group Action Directe which was responsible for the killing in January 1985 of Gen René Audran, a top Defence Ministry official in charge of France's foreign arms sales.

Mr Brana, shaken after the attempt on his life, yesterday said he had never carried out functions as "exposed" as Gen Audran in the arms business, which appears to have become a key target of the terrorist group.

Yugoslav trade gap grows as debt talks due to start

BY ALEKSANDAR LEBL IN BELGRADE

YUGOSLAVIA'S overall trade deficit widened slightly to $679m in the first quarter of this year, the Government announced yesterday, along with the news that it will start debt rescheduling negotiations with official creditors in Paris later this week.

Total exports amounted to $2.26bn in the first three months of 1986, 9.9 per cent higher than in the same period of 1985, while imports rose 13.3 per cent to $2.94bn. In hard currency trade—the sector of particular relevance to the Paris debt talks—exports increased 10.3 per cent to $1.45bn and imports rose 15.8 per cent to $1.8bn.

Industrial output was 6.9 per cent higher than in the first quarter of 1985. But by the end of last month retail and producer prices stood, respectively, 20.4 and 17.4 per cent above the December 1985 level, and were, respectively, 80.8 and 74.4 per cent above the March 1985 level. However, Mr Zivko Pregl, director of the federal price agency, said the Government expected retail price inflation to moderate gradually to the predicted rate of 3 per cent a month.

The first quarter performance in trade and industrial production, though not in inflation, is in fact somewhat better than many Yugoslav economists had predicted. In particular, they feared that new foreign exchange legislation in January would so accelerate import payments and delay repatriation of export earnings as to create a much bigger deficit.

After meeting in Geneva on Monday, officials of Yugoslavia and its 16 Western creditor governments are to start serious negotiations in Paris today to reschedule official debt falling due after mid-May. Belgrade has pressed—so far to little avail—Western governments

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AMERICAN NEWS

Canute James in Kingston reports the launching of the Jamaica-America party

Jamaican politician ties his colours to the US

MR JOHN CHISHOLM, a businessman living in the US, says he has the solution to the island's economic problems. Mr Chisholm has launched the Jamaica-America Party—with a clear platform.

"We will seek a mandate from the Jamaican people, through the ballot box, and thereafter seek equal statehood partnership with the US," Mr Chisholm explained. "We firmly believe our platform is the only hope for Jamaica to overcome its financial demands."

The new party draws its support from a public opinion poll done in Jamaica in 1982, which indicated that 43 per cent of the 2.2m population felt statehood could improve the economy.

Mr Chisholm's purpose is hardly likely to be supported by the two major parties, the ruling conservative Jamaica Labour Party of Mr Edward Seaga, the Prime Minister, and the opposition Peoples National Party of Mr Michael Manley.

It also would be surprising if Washington were enthusiastic over the prospect of being offered Jamaica. Yet both Mr Seaga and Mr Manley are hardly likely to deny that Jamaica's continuing economic problems could lead many to entertain Mr Chisholm's proposals.

The past decade has been a testing time for a fragile, unbalanced economy. Provisional figures for last year indicate the economy declined by about 3 per cent, following a fall of 0.3 per cent in 1984.

The parlous state of the economy is the result of an end to the dominance of Jamaica's main commodity, bauxite—a dominance undermined by a combination of reduction in demand and the move by North American miners and refiners to cheaper sources.

As the world's third largest producer of the ore, Jamaica has seen output fall to 6.14m tonnes last year, just over a half of 1980 output. Another decline is forecast by the industry for this year.

This coincided with problems in the traditional export agriculture sector. The banana industry has not recovered from the devastation of a hurricane in 1980, and exports to Britain have fallen from an average 70,000 tonnes per year to 12,700 tonnes last year. The industry fears losing its UK market.

Low prices and quota curbs have forced the sugar industry to curtail production for what Mr Seaga says is the only sure export market for the product—the EEC. Last year's production was 205,000 tonnes.

There has been some relief from tourism, which, with a volume of 870,000 last year, is 70 per cent higher than five years ago. The industry reports gross earnings of about $400m, but there is uncertainty as to how much of this remains in the economy. The more positive estimates put this at 40 per cent, and the worst at about 27 per cent.

The Government has sought relief from pushing the development of non-traditional exports—such as winter vegetables to the US and Europe, and data entry operations for US firms. Their contributions are unlikely to make up for the losses suffered by the major sectors.

In an effort to combat the problems, Mr Seaga has been working to structurally readjust the economy—easing dependence on bauxite and making other sectors more efficient and productive. At the same time the Jamaican dollar has been progressively devalued by 71 per cent over the past 30 months. Unemployment hovers around 30 per cent, affecting mostly younger workers.

Prime Minister Edward Seagar (left) and opposition leader Michael Manley—unimpressed

The economy is burdened by the need to spend 32 per cent of all export earnings to service a $3.2bn foreign debt.

Mr Seaga has just presented a J$5.8bn ($1.05bn) budget, 22 per cent higher than last year's. But 42 per cent of this will go towards debt servicing. Jamaicans, who have already been asked to cough up J$300m in taxes this year to compensate for the fall in income from bauxite, are hoping the Prime Minister will be less harsh when he opens the budget debate later this month.

The budget is likely to benefit from lower oil prices. While the Government has refused to reduce retail fuel prices—petrol costs the equivalent of J$0.40 per gallon it is anticipating a windfall in revenues from fuel of just over J$200m. The Government also is likely to try to reduce interest rates from current levels of about 30 per cent to appease the business community which has complained that the economy cannot expand because of these high rates.

Moving to trim fat from the public purse has not endeared the Prime Minister to Jamaica's teachers, nurses, policemen, civil servants and doctors, who have seen the wage increase limited by a Government policy guided by the need to reduce the budget deficit this year to below 2 per cent of GDP, from 17 per cent three years ago.

The Government argues that is a barely visible but definite improvement in the economy. After several months of anxious waiting, the IMF has agreed to waive the performance criteria the economy failed to meet last year, leading to loss of access to a $118m credit package. Jamaica made a drawdown of $29m three weeks ago, followed a few days later by a $40m loan from the World Bank for balance of payments support.

The Government is apparently pinning its political future on clear signs of a positive change in the economy in the next two years.

Perceiving that the Government is apparently unable to bring about economic improvement, Jamaicans have indicated in public opinion polls that Mr Seaga is trailing Mr Manley badly in political support.

The next general election is not due until December 1988, and Mr Seaga has rejected Mr Manley's claim that one be held before. But both leaders and their parties are actively preparing for local government elections, promised by Mr Seaga by July, after three postponements in the past two years.

Both leaders are likely to use the municipal vote as an indication of their parties national standing. A strong showing by Mr Manley would not affect Mr Seaga's administration of the central government, but would show the Prime Minister to be ruling while being manifestly unpopular. If, however, the Labour Party, against the trend of the polls, does better than the PNP, few doubt this would be a setback to Mr Manley's hopes of regaining the premiership.

The importance of the local government vote is likely to lead to a turnout higher than the traditional 30 per cent for these occasions. But if there is significant abstention, Mr Chisholm might be encouraged to press the Jamaica-America party's pro-statehood platform.

"Statehood partnership," Mr Chisholm claimed, "means that the only thing Jamaicans would be giving up is their poverty."

Mr Seaga and Mr Manley would disagree. The unlikely event of a third party election victory would mean an end to their political careers.

Sarney claims success in drive against inflation

BY RICHARD FOSTER IN BRASILIA

SIX WEEKS after the initiation of the Cruzado plan, President Jose Sarney claims Brazil's radical attack on inflation is succeeding. "It has achieved its objective. It has changed Brazil," the 55 year old Brazilian president said in a nationwide television address.

To back up his claim President Sarney announced in a speech on Monday night that prices had fallen 1.48 per cent in March. The figure is based on the cost of living in Rio de Janeiro and Sao Paulo, not the 11 cities which must be checked before an official March inflation figure is announced on April 22. But the fall in prices remains an extraordinary economic phenomenon for Brazilians, who lived with 275 per cent inflation until last February when the Cruzado plan was launched. The plan created a new currency, froze prices and wages, and de indexed most financial instruments.

Mr Sarney credited early success of the plan to a change of mentality among Brazilians whom he said "have understood for the first time in our history that they are not an object of manipulation but the direct beneficiary of government action." Most observers agree with Mr Sarney that popular enthusiasm in policing the price freeze has forced adjustments back down the production chain, so far guaranteeing dramatically lower inflation.

A great fear before the plan was that frozen prices would provoke a recession. Mr Sarney said the fears were unfounded. He repeated the government's promise of 5 per cent economic growth this year and cited last month's economic performance to support the projection. Employment expanded 2 per cent; retail sales increased by 10 per cent; Brazil's trade surplus was $1.14bn; industrial growth was 12.3 per cent and electrical energy consumption grew by 9 per cent.

The economy appears not to have lost a step in its brisk forward march begun last year with 8.3 per cent GNP growth and a 13 per cent rise in employment. A few supply bottlenecks still remain as factories negotiate with suppliers about how to deflate prices. Electrical appliances, for instance, are missing from some department stores and supermarkets lack cleaning products.

However, a more serious problem was a March government spending deficit of Cruzados 9bn or $654m which Mr Sarney did not mention in his address. Because of hefty revenues provided by December 1985 tax reform the government produced spending surpluses in January and February. Top officials said March is always a bad revenue, month and the Treasury should resume its surplus position in May. But the deficit provoked worries that the Cruzado plan may have hurt government revenues. Value added and sales taxes, for instance, are now levied against goods whose prices are frozen.

In concluding the speech Mr Sarney said sustained economic growth without inflation is essential to closing the income gap between rich and poor in Brazil. He said Brazil is the West's eighth largest economy, but that Brazilians rank only 57th among the world's nations in terms of their social well-being.

IMF postpones decision on status of Peru

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE International Monetary Fund (IMF) has postponed for a further three weeks a decision on whether to make Peru ineligible for further assistance because of its long-standing arrears on existing credit.

This follows a payment by Peru on Monday of some $35m which partially made good arrears that have been building up since President Alan Garcia assumed office last summer.

However, with arrears still standing at around $100m, the IMF Executive Board decided at a meeting on Monday night to reconsider the question of Peru's eligibility again on May 5.

Peru had been earlier told to make the arrears good by this week, but made a partial payment to forestall a declaration of ineligibility that would inevitably deepen the rift between the Garcia government and international creditors who are owed a total of some $14bn.

In spite of his public hostility towards the IMF and his declared policy of confining debt service payments to 10 per cent of export receipts, bankers believe that President Garcia is privately beginning to soften his approach to the debt issue.

The partial arrears payment to the IMF is a sign, they say, of a desire to reach some form of accommodation, and for its part the IMF also wants to avoid burning its bridges.

But the IMF also has to insist on the principle that member countries should not run up arrears with impunity. This ties up resources needed for lending to other countries, while arrears also push up its costs, pressuring its lending rate which was raised to 7.87 per cent from 7 per cent last December.

The IMF has declared other members ineligible, but in most cases their arrears have been proportionately higher than those of Peru. Sudan had $237m of arrears when it was declared ineligible, and Liberia, a much smaller country, had arrears of $52.4m.

Peru has meanwhile yet to decide exactly when it will make a token interest payment to commercial bank creditors promised for this month and how much the amount will be.

Arias vows to prevent Contras using Costa Rica

MR OSCAR ARIAS SANCHEZ, Costa Rica's president elect, has said he intends to stop US-backed Nicaraguan rebels from using his country as a base once he takes office on May 8, Reuter reports from Panama City.

Saying his country's pledge to neutrality should be given more than just "lip service," Mr Arias said. "We are not going to tolerate the utilisation of our territory by Contras."

Since 1983, press reports have documented the use of Costa Rica as a haven and supply centre for Nicaraguan insurgents under the country's outgoing government of President Luis Alberto Monge.

Publicly, Mr Monge has declared repeatedly Costa Rica's neutrality in regional conflicts. But his tacit support of the Contras, whose principal bases are in Honduras, has led critics to label Costa Rica a US "puppet."

It has also caused Costa Rica's relations with Nicaragua, its northern neighbour, to deteriorate steadily in recent years.

Without referring directly to Mr Monge's policies, Mr Arias said the presence of US-backed rebels in Costa Rica "endangers our domestic peace and violates the neutrality that we have proclaimed before the entire world."

Vowing to prevent rebels from continuing to use Costa Rica as a base for their attacks inside Nicaragua, Mr Arias said he plans to enact "a real and effective neutrality that can be seen in practice."

The 44-year-old Mr Arias is en route to Brazil where he is to begin an official seven-day tour of South America today.

US industrial output down 0.5% in March

BY NANCY DUNNE IN WASHINGTON

AMERICAN industry, still battered by imports and falling energy prices, produced 0.5 per cent less in March than in the previous month, the Federal Reserve Board said yesterday.

The drop in industrial production, seasonally adjusted, followed an even larger 0.7 per cent decline in February, when the Fed reported the worst setback since the end of the last recession.

The March decline, which was concentrated in oil and gas well drilling activity, auto and truck assemblies and steel production, left industrial productions only 0.9 per cent higher than year ago levels.

The news was not all bad. Some sectors made modest showings with defence and space equipment up 0.6 per cent, construction supplies growing 0.6 per cent and non-durable manufacturing up 0.2 per cent.

However, drilling activity plunged 17 per cent to a level one-third lower than last December. Car production, plagued by poor sales and large inventories, dropped by 10.7 per cent with car assemblies declining to an annual rate of 7.7m units, down from 8.7m units in February.

Output of consumer goods was weak, falling 0.7 per cent, after declines in the two previous months. Production of business equipment sank 0.9 per cent after falling 1.3 per cent in February.

Johannesburg Consolidated Investments Group

(All companies mentioned are incorporated in the Republic of South Africa)

Gold mining companies' reports for the quarter ended 31 March 1986 with comparative figures for the previous quarter

Randfontein Estates

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
Registration Number 01/00251/06
Issued capital: R12 227 106
(Divided into 6 113 553 shares of R2 each)

OPERATING RESULTS (Unaudited)	Quarter ended 31.03.86	Quarter ended 31.12.85	Nine months ended 31.03.86
Gold			
Ore milled—tons	1 614 000	1 642 000	4 834 000
Kilograms produced	6 456	7 882	22 544
Yield—grams per ton	4.0	4.8	4.7
Revenue—per ton milled	R82.59	R114.38	R99.93
Working cost—per ton milled	R47.87	R46.35	R46.48
Profit—per ton milled	R34.72	R68.03	R53.45
Uranium			
Tons treated	801 000	849 000	2 514 000
Kilograms produced	153 808	168 481	487 575
Yield—kilograms per ton	0,19	0,20	0,19

FINANCIAL RESULTS (R000) (Unaudited)	Quarter ended 31.03.86	Quarter ended 31.12.85	Nine months ended 31.03.86
Revenue from gold	133 303	187 810	483 054
Working costs	77 268	76 110	224 699
Profit from gold	56 035	111 700	258 355
Profit from uranium	2 408	1 110	4 223
Net sundry revenue	2 409	1 882	10 727
Profit before tax and State's share	60 852	114 692	273 305
Tax and State's share	9 491	29 779	72 273
Profit after tax and State's share	51 361	84 913	201 032
Capital expenditure	37 006	56 494	132 284
Dividends declared	—	42 795	42 795

Notes:
1. Gold price received: Rand per kg .... 21 048 | 24 162 | 21 917
2. Revenue from gold, the reported gold price and profit from uranium take account of currency forward transactions.
3. Tax for the year to date has been calculated on the basis of a tax rate that was derived by using the actual results to date and an estimate for the remainder of the current financial year.

DEVELOPMENT Metres advanced	Quarter ended 31.03.86	Quarter ended 31.12.85
Cooke No 1 Shaft	3 631	5 725
Cooke No. 2 Shaft	1 949	2 980
Cooke No. 3 Shaft	2 699	5 382
Total metres	8 279	14 087

SAMPLING RESULTS
The values shown in the following tabulations are the actual results of sampling reef development. No allowance has been made for any adjustments which may be necessary when computing ore reserves.

	Quarter ended 31.03.86 Shafts No. 1	No. 2	No. 3	Total	Quarter ended 31.12.85 Shafts No. 1	No. 2	No. 3	Total
UE1a REEF								
Sampled—m	543	339	402	1 284	668	318	564	1 550
Channel width—cm	196	256	216	218	180	249	206	204
Average value:								
Gold—g/t	3,7	2,5	4,8	3,6	9,6	3,2	4,8	6,2
—cm-g/t	725	640	1 037	785	1 728	797	989	1 265
Uranium—kg/t	0,11	0,28	0,38	0,24	0,14	0,34	0,42	0,29
—cm-kg/t	21,56	71,68	82,49	52,32	25,20	84,66	86,52	59,16
E8 REEF								
Sampled—m	396	183	—	579	459	264	—	723
Channel width—cm	118	243	—	157	124	287	—	183
Average value:								
Gold—g/t	11,0	4,4	—	7,8	9,2	2,2	—	5,2
—cm-g/t	1 298	1 069	—	1 225	1 141	631	—	952
Uranium—kg/t	0,18	0,18	—	0,18	0,23	0,12	—	0.17
—cm-kg/t	21,24	43,74	—	28,26	28,52	34,44	—	31,11
E9Gd REEF								
Sampled—m	42	—	—	42	225	—	—	225
Channel width—cm	194	—	—	194	172	—	—	172
Average value:								
Gold—g/t	1,9	—	—	1,9	17,4	—	—	17,4
—cm-g/t	369	—	—	369	2 993	—	—	2 993
Uranium—kg/t	0,07	—	—	0,07	0.19	—	—	0,19
—cm-kg/t	13,58	—	—	13,58	32,68	—	—	32,68
KIMBERLEY REEF								
Sampled—m	183	—	—	183	231	—	—	231
Channel width—cm	224	—	—	224	216	—	—	216
Average value:								
Gold—g/t	2,4	—	—	2,4	2,8	—	—	2,8
—cm-g/t	538	—	—	538	605	—	—	605
Uranium—kg/t	0,03	—	—	0,03	0.03	—	—	0,03
—cm-kg/t	6,72	—	—	6,72	6,48	—	—	6,48

Note: Development on the E9Gd reef forms part of the exploration programme.

GOLD PRODUCTION
Mill throughput decreased by 28 000 tons in relation to the previous quarter and included 280 000 tons (185 000 tons) from surface sources. This represents a reduction in ore milled from underground sources of 123 000 tons.

LABOUR UNREST
An announcement was published on 18 February 1986 stating that unrest, beyond that referred to in the report for the previous quarter, had adversely affected underground production. Production is expected to return to normal levels by the end of the current quarter. Development results for the quarter reflect the redeployment of certain development teams into production stopes.

SHAFTS

Cooke No 3 Ventilation Shaft
Preparatory work has been completed and the pre-sink is progressing according to plan.

Doornkop Shafts
The sinking of the No. 1 Shaft is progressing according to plan and has reached a depth of 973 metres (839 metres) below surface. The 116 level excavation is complete. Station construction is in progress.

The sinking of the No. 1 Ventilation Shaft is progressing according to plan and has reached a depth of 590 metres (364 metres). The 71 and 76 level station excavations are complete. The sinking of the No. 1A Ventilation Shaft has reached a depth of 325 metres (60 metres).

CAPITAL EXPENDITURE (R000)	Quarter ended 31.03.86	Quarter ended 31.12.85	Nine months ended 31.03.86
Net expenditure: mining assets	36 744	55 919	132 074
: other assets	262	575	210
Capital commitments at end of period	111 584	109 172	111 584

LONG-TERM LOANS (R000)	Quarter ended 31.03.86	Quarter ended 31.12.85	Nine months ended 31.03.86
Balance at end of period	58 279	67 524	58 279
Interest paid during the period	401	424	1 271
Repayments due within one year	9 880	14 441	9 880

CONSUMER LOAN
The consumer loan has been converted to SA currency at the rate ruling at 31.03.86, R1 = $0.4725 (R1 = $0,3740 at 31.12.85). The long-term loan balance as well as the current portion of this loan are expressed net of the future tax effect of losses resulting from exchange differences.

FORWARD CONTRACTS
The company has entered into currency forward contracts in respect of a portion of its expected gold and uranium revenue.

On behalf of the Board
G. Y. NISBET
F. J. P. ROUX *Directors*

Western Areas

Western Areas Gold Mining Company Limited
Registration Number 59/03208/06
Issued capital: R40 306 950
(Divided into 40 306 950 units of stock of R1 each)

OPERATING RESULTS (Unaudited)	Quarter ended 31.03.86	Quarter ended 31.12.85	Nine months ended 31.03.86
Gold			
Ore milled—tons	959 000	1 031 000	2 984 000
Kilograms produced	4 028	4 330	12 732
Yield—grams per ton	4,2	4,2	4,3
Revenue—per ton milled	R100,22	R103,94	R98.95
Working cost—per ton milled	R84.04	R82.91	R82,24
Profit—per ton milled	R16.18	R21,03	R16,71
Uranium			
Tons treated	162 000	181 000	514 000
Kilograms produced	70 088	80 629	228 157
Yield—kilograms per ton	0,43	0.45	0,44

FINANCIAL RESULTS (R000) (Unaudited)	Quarter ended 31.03.86	Quarter ended 31.12.85	Nine months ended 31.03.86
Revenue from gold	96 111	107 162	295 276
Working costs	80 594	85 480	245 419
Profit from gold	15 517	21 682	49 857
Profit from uranium	5 278	4 532	14 233
Net sundry revenue	2 899	3 051	7 905
Profit before tax and State's share	23 694	29 265	71 995
Tax and State's share	3 131	5 207	14 518
Profit after tax and State's share	20 563	24 058	57 477
Capital expenditure	16 748	11 733	41 412
Dividends declared	—	6 449	6 449

Notes:
1. Gold price received: Rand per kg .... 23 877 | 24 479 | 22 930
2. Revenue from gold and the reported gold price take account of gold and currency forward transactions as well as the cost of acquiring gold put options.

DEVELOPMENT Metres advanced	Quarter ended 31.03.86	Quarter ended 31.12.85
Ventersdorp Contact Reef	1 983	5 150
Upper Elsburg Reefs	5 045	8 824
Middle Elsburg Reefs	1 850	2 114
Total metres	8 877	16 088

SAMPLING RESULTS
The values shown in the following tabulations are the actual results of sampling reef development. No allowance has been made for any adjustments that may be necessary when computing ore reserves.

Ventersdorp Contact Reef, Elsburg Massive Reefs and Elsburg Individual Reefs

	Quarter ended 31.03.86 VCR	EMR	EIR	Total	Quarter ended 31.12.85 VCR	EMR	EIR	Total
Sampled—m	558	132	1 584	2 274	1 182	546	1 677	3 405
Channel width—cm	90	230	299	244	72	189	261	184
Average value:								
Gold—g/t	8,5	5,9	4,3	4,7	13,6	5,0	4,3	5,6
—cm-g/t	765	1 357	1 286	1 147	979	945	1 122	1 030

Middle Elsburg Reefs	Quarter ended 31.03.86	Quarter ended 31.12.85
Sampled—m	402	569
Channel width—cm	181	188
Average value:		
Gold—g/t	1,6	3,7
—cm-g/t	290	696
Uranium—kg/t	0,41	0,53
—cm-kg/t	74,21	99,64

GOLD PRODUCTION
The tonnage treated from underground was supplemented by 51 000 tons (36 000 tons) from surface sources.

LABOUR UNREST
The labour unrest referred to in the report for the previous quarter resulted in a material decrease in underground production during the quarter under review and it was necessary to redeploy certain development teams into production stopes. Production is expected to return to normal levels by the end of the current quarter.

No. 2 SUB-VERTICAL SHAFT
The shaft deepening is progressing according to plan and will be completed early in 1987.

WATER CONTROL PROJECT
Discussions and negotiations with the authorities concerned and with parties holding interests in the area are in progress. Work is in progress preparatory to the commencement of dewatering in the second half of the year.

CAPITAL EXPENDITURE (R000)	Quarter ended 31.03.86	Quarter ended 31.12.85	Nine months ended 31.03.86
Net expenditure: mining assets	16 943	13 169	42 946
other assets	(195)	(1 436)	(1 534)
Capital commitments at end of period	16 929	21 869	16 929

LONG-TERM LOANS (R000)	Quarter ended 31.03.86	Quarter ended 31.12.85	Nine months ended 31.03.86
Balance at end of period	21 893	22 535	21 893
Interest paid during the period	—	—	—
Repayments due within one year	2 518	2 535	2 518

FORWARD CONTRACTS
The company has entered into forward contracts in respect of a significant portion of its gold production in order to stabilise revenue and thereby reduce the company's vulnerability to operating losses. Forward contracts include both the forward sale of gold and the purchase of put options that give the company a discretionary right to sell gold at a predetermined price during a specified period.

The company has also entered into currency forward contracts in respect of a significant portion of its expected gold revenue.

On behalf of the Board
G. Y. NISBET
F. J. P. ROUX *Directors*

Elsburg

Elsburg Gold Mining Company Limited
Registration Number 58/10726/06
Issued capital: R30 203 000
(Divided into 30 203 000 units of stock of R1 each)

Stockholders are advised to study the operating results published by Western Areas Gold Mining Company Limited.

On behalf of the Board
G. Y. NISBET
F. J. P. ROUX *Directors*

Copies of these reports are available on request from the offices of:
Barnato Brothers Limited
99 Bishopsgate, London EC2M 3XE, England

15 April 1986

هكذا من الأصل

Thanks to the Spanish nose, we can enjoy the sweet smell of success.

When the world thinks of sherry it naturally thinks of Jerez.

Which is why we at Allied-Lyons have invested millions in that particular region over the last few years.

The vineyards, bodegas and wineries we acquired have given us two main advantages.

Firstly, they make us 70 per cent self-sufficient in sherry.

Secondly, and probably more important, with all those vineyards, bodegas and wineries come the skill and expertise of the Spanish.

Now we've the finest quality sherry in the quantities we need. Without any worries about supplies we can attack with confidence the highly profitable world market.

Not that we're doing badly.

With Harveys we already have the world's biggest selling sherry with 20 per cent of international sales.

This financial year with an even greater variety of sherries (thanks to our Spanish acquisitions) we plan on worldwide sales of over £90 million. Which is not to be sniffed at.

Allied-Lyons
GOING ON GROWING

WORLD TRADE NEWS

Atlantic Container seeks ship tenders

By Andrew Fisher in London

ATLANTIC CONTAINER Line (ACL) wants to expand the capacity of its big new transatlantic vessels, built in Sweden, France and the UK at a cost of $300m, and has asked world shipyards to tender for the work.

ACL, a leading operator on the North Atlantic, this week invited yards in Western Europe, Japan and South Korea to tender for contracts to lengthen the vessels.

The vessels, called G3s because they form the third generation of the ACL fleet, had performed beyond expectations, said Mr Bengt Koch, president of ACL Services, the UK-based management company of ACL.

The G3s can carry cars, containers, and roll-on/roll-off cargoes. ACL wants to lengthen the 250 m vessels by 42 m, making them the biggest of their type in the world.

"It has always been our intention, when the time was right, to consider lengthening what we believe to be a very successful design to meet our needs for the 1990s," added Mr Koch.

ACL did not say what the lengthening of the five ships might cost though industry experts said it could be at least $40m.

In the highly competitive state of world shipbuilding, it is likely that Japanese and South Korean yards will put in the lowest offers.

ACL's main shareholders are Cunard of the UK (a subsidiary of Trafalgar House), Transatlantic and Wallenius of Sweden, and Compagnie Générale Maritime (CGM) of France.

Three UK yards are among those invited to tender: Swan Hunter on Tyneside, northern England, which built Atlantic Conveyor, one of the G3s, but is now primarily a warship yard; Scott Lithgow in Scotland, also a Trafalgar House subsidiary, but now an offshore rig yard; and state-owned Harland and Wolff in Belfast.

Norway supports GEC in Bangladesh telecom deal

BY JOHN ELLIOTT RECENTLY IN DHAKKA

GEC of the UK has beaten two Norwegian telecommunications companies for a £12m contract in Bangladesh which is to be totally funded by grants from the Norwegian Government.

It is unusual for a company to win a contract funded by a country with which it has no connection because aid in the form of grants is usually tied by donor countries to their own industry.

But in this case, the tenders by two Norwegian companies—E. B. Nera and STK—were so high that they were rejected by both the Norwegian and Bangladesh governments. This enabled GEC to pull off a rare coup.

The contract involves linking 30 railway stations in Bangladesh with multiplex telecommunications equipment which includes the first use of optical fibres in Bangladesh as well as orthodox cables.

It was budgeted at NKr 150m (£13m) and went out to tender only in Norway. But the two Norwegian companies put in bids for NKr 173m and NKr 193m well above the aid budget, and refused to reduce them.

A list of companies from other countries such as West Germany, Sweden and Finland, but excluding the UK, was then drawn up.

Bangladesh later persuaded Norway to include GEC because it has a Bangladesh subsidiary which recently carried out railway signalling work, partially funded by the British Overseas Development Administration.

A British subsidiary of GEC called Telephone Cables is the main contractor and GEC Telecommunications of the UK and GEC Bangladesh are subcontractors.

Telecommunication cable totalling 1,700 km and other equipment to be supplied from the UK will cost £10m and installation by GEC Bangladesh will amount to £2m.

The Norwegian aid covers local expenditure as well as the imports totalling a £12m contract which equals NKr 130m—NKr 20m below the original budget.

This is one of Norway's first industrial projects backed by grants because in the past its *aid has concentrated on other areas.*

The two Norwegian companies and Nokia of Finland put in tenders in the second round of bidding but GEC was lowest.

Other possible bidders including Siemens of West Germany, Ericsson of Sweden and Phillips of the Netherlands, are believed to have refused invitations to tender.

This is because they assumed that the second round was aimed solely at forcing the Norwegian companies to bring down their prices and that a third country would *not* be allowed to win.

Canada bid to revive US free trade move

By Bernard Simon in Toronto

THE CANADIAN Government has launched a strong diplomatic offensive to revive its free trade initiative with the US in the wake of unexpectedly strong opposition from key members of the US Senate.

Canada's International Trade Minister, Mr James Kelleher, told parliament in Ottawa that Canada is using "all available channels" to ensure that the Senators "are fully aware of the Canadian position."

The Reagan Administration had been reminded of its commitment to "a clear launch" for the free trade talks, he added.

The Canadian Government has also indicated that it plans at least to delay proposed patent concessions to multinational pharmaceutical companies pending the outcome of the Senate's deliberations on the free trade issue.

Mr Kelleher said that a Senate vote against so-called "fast-track" negotiations would be a serious rebuff to a key plank of the Progressive Conservative Government's economic policy.

The Prime Minister, Mr Brian Mulroney, risked considerable criticism from Canadian nationalists, trade unions and provincial leaders by formally asking Washington last September to start trade liberalisation talks.

The Senators' objections are based partly on the "fast-track" negotiating process which diminishes detailed Congressional supervision of trade talks.

The Senate Finance Committee is expected to vote on free trade talks within the next week.

Ottawa planned to announce a controversial new policy on pharmaceutical patents this week, which would give greater protection to multinational companies' brand-name products at the expense of fast-growing (and cheaper) *generic drugs.*

The new rules were also expected to raise the 4 per cent royalty rate currently payable by generic manufacturers.

The Government is apparently concerned, however, that it would fuel domestic criticism of the free trade initiative and the proposed clampdown on cheap generic drugs, by making concessions to US and other multinational drug companies while the free trade dispute is unresolved.

W. Germany to build frigates for Lisbon

By Rupert Cornwell in Bonn

PORTUGAL, West Germany and other Nato allies have finally concluded a DM 2bn (£512m) deal whereby West German shipyards will supply the Portuguese Navy with three frigates to safeguard shipping lanes in the south of the North Atlantic area.

The agreement, confirmed by a Defence Ministry spokesman in Bonn coincides with a visit to the West German capital by Mr Cavaco Silva, the Portuguese Prime Minister. It ends nearly 10 years of negotiations centred on the financial arrangements for the order.

Of the total order, some DM 750m will be covered by the US, while West Germany will put up a further DM 500m. Other Nato countries are putting up DM 300m, while Lisbon is taking on DM 400m of the overall cost.

The order is a welcome windfall for the hard-pressed West German shipbuilding industry. The vessels, it is understood, will be constructed by a consortium made up of the yards of Blohm und Voss and Howaldts Werke-Deutsche Werft (HDW), and the Thyssen and Ferrostahl concerns.

Soviet industry 'too slow buying foreign licences'

BY PATRICK COCKBURN IN MOSCOW

SOVIET INDUSTRY is much too slow in buying licences from abroad which would save time and money, according to Mr Nikolai Smelyakov, Soviet Deputy Minister of Foreign Trade.

He cites the example of the refusal of the Agricultural Machinery Ministry in the 1970s to buy licences abroad for the manufacture in the Soviet Union of a powerful tractor (330-500 horse power), although the Soviet Union had no experience of producing a tractor of this type.

As a result, there followed "15 years of futile activity" at the Cheboksary tractor plant on the Volga east of Moscow where "a new factory was built, and equipment worth Roubles 200m (£176m) installed, but the country never saw a single workable vehicle."

Mr Smelyakov's article in the monthly Novy Mir is significant, because reduced Soviet oil revenues this year are already making more attractive the option of purchasing expertise rather than hardwear from abroad.

In the past, foreign businessmen have noted that the Soviet Foreign Trade Ministry has preferred to buy equipment and plant.

Citing an example of successful use of foreign licences by a Soviet company, Mr Smelyakov says that a factory in Minsk bought a French licence to produce first-rate refrigerators for Roubles 18.5m and had exported Roubles 450m worth. He said the same was true of the car plant at Togliatti.

Mr Smelyakov sees foreign licences and technology as playing an important role in increasing Soviet manufactured exports which are only 4 per cent of total exports.

The Soviet export figures are dominated by the sale of raw materials, notably oil, which made up 60 per cent of Soviet exports in 1985.

"Relatively recently, the Soviet Union started buying and selling licences, and this business is growing, though not as quickly as we would like."

Finally, Mr Smelyakov says that Soviet export trade is also impeded by the failure of managers to produce enough spare parts for their products.

Dragonair starts flights to Canton

By David Dodwell in Hong Kong

HONG KONG Dragon Airlines, the fledgling one-aircraft carrier controlled by Sir Yue-Kong Pao, has started charter flights between Hong Kong and Guangdong (Canton) that mark its first step towards commercial viability.

The airline, founded a year ago with strong political and economic backing from Peking, has been frustrated in previous efforts to launch regular commercial services. It has been fiercely opposed by Cathay Pacific Airlines, which operates as *Hong Kong's de facto flag* carrier.

Dragonair will fly three times a week to Guangdong, and once a week to the Chinese open city of Xiamen. These are two of eight Chinese cities for which it won air traffic licences at the end of a hotly-contested licensing hearing in Hong Kong last December.

The new rights are unlikely to lift the airline into profit, but will undoubtedly slow the drain from its coffers. It has a paid-up capital of HK$200m (£18.7m) — HK$60m of which has been injected by the shipowner Sir Y. K. Pao.

At present, Dragonair operates occasional tourist services to Kota Kinabalu in Sabah, and to three destinations in Thailand. It has applied for the right to operate scheduled services between Hong Kong and London, and plans to apply for similar rights to Amsterdam.

British Airways, which would be a competitor on the Hong Kong-London route, said last week it would not oppose Dragonair's application to operate London services.

UK NEWS

Traders ponder defeat over shopping hours

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

BRITAIN'S RETAILERS were in a state of confusion yesterday after the collapse of the Government's Shops Bill. This would have paved the way for Sunday trading in England and Wales. Retailers are uncertain about how far local authorities will now decide to enforce the present restrictive shop opening legislation which controls late-night and Sunday shopping.

Local authorities last night made it clear that they were not anxious to enforce the laws but they feared that they would be put under pressure to do so by local pressure groups.

"Retailers and the public face a nightmare situation which cannot be allowed to continue," se d Mr Nigel Whittaker, a director ot Woolworth Holdings last night.

Woolworth, currently facing an unwelcome takeover bid from Dixons Group, the electrical retailers, has been one of the leading campaigners in favour of Sunday trading and helped to set up a special lobbying group of leading retailers to support the Government's legislation.

Woolworth and other retail groups, including J. Sainsbury and W. H. Smith & Sons, are reviewing their position on opening their do-it-yourself retail chains this Sunday in light of the House of Commons vote.

W. H.' Smith, which at present opens some 26 of its 64 Do-It-All stores on a Sunday, said yesterday it would "carry on with Sunday opening until local authorities intervene to close us down."

Woolworth and Sainsbury also made clear yesterday that they both planned to press ahead with Sunday opening for their do-it-yourself stores until forced to stop.

Sainsbury, however, is also concerned at the effect of the bill's failure on week-night openings of its supermarkets. The present law restricts shops opening late at night and Sainsbury has faced prosecution in some areas for late-night opening.

The key problem facing the retail trade is that they are uncertain how far local authorities will now press ahead with enforcing the present laws. In recent years, many authorities have taken little action against retailers opening on a Sunday

Parliament, Page 15

New over-the-counter market planned for unlisted stocks

BY BARRY RILEY

THE LONDON Stock Exchange is expected to announce today its involvement in a plan to set up a new electronic "over-the-counter" (OTC) market trading in unlisted stocks.

This market would deal in the securities of smaller and more speculative companies than those now traded on the exchange's existing second-tier Unlisted Securities Market (USM).

It would qualify as a Recognised Investment Exchange (RIE), under rules being drawn up by the new investment markets regulatory body the Securities and Investments Board (SIB) and would supersede the unofficial and ill-organised OTC market which is at present operated by a number of mostly small, non-stock exchange market making firms.

The idea of a new OTC market has arisen from studies made by the National Association of Security Dealers and Investment Managers (Nasdim), which has devised a rule-book for those of its member firms engaged in OTC business.

Encouraged by the SIB, Nasdim late last year set up a working party to study the possibility of establishing a new RIE. Representatives of the stock exchange and the British Institute of Dealers in Securities, an association of some of the OTC firms, joined this group.

The Stock Exchange was one of several organisations asked to quote a price for setting up an electronic trading and settlement system of the type required by an RIE. It is understood that the terms of any association of the exchange with the new market were discussed in its council meeting yesterday.

Investors using the new OTC exchange would probably be issued with a "health warning." Companies traded would be smaller and more speculative than on the existing formal markets, and the aim would be to keep listing formalities and regulations to a minimum in order to make it economic for companies to raise quite small amounts of capital, perhaps in the range £500,000 to £5m.

Alexander Nicoll writes: The London stock exchange, responding to pressure from international traders and from the futures market, decided yesterday that it would open for business at 9am, half-an-hour earlier than at present, from April 28.

From the same date, the London International Financial Futures Exchange (Liffe), which already opens to trade other contracts as early as 8.15am, is to bring forward by 30 minutes the start of dealing in contracts based on gilt-edged (Government) securities and on a UK stock index.

The decision by the exchange's ruling council to move to earlier hours partly reflects growing competition in the City of London as the October 27 reform of London securities markets, known as Big Bang, approaches. This will include a complete restructuring of the gilts market, with as many as 28 market-makers vying for business instead of the handful of jobbers which dominated it until recently.

Substantial business already takes place on the telephone before the market formally opens, as it does after the stock exchange trading floor closes at 3.30pm. But with all but one of the future gilt market-makers already members of Liffe, there has been considerable pressure from Liffe to bring forward the official opening time.

Against the inclination of some of its members, it had felt that it should not unilaterally open the gilt futures market before the stock exchange's official hours. Such a move could have encouraged gilt business to be done outside the stock exchange.

Mr Brian Williamson, Liffe chairman, said yesterday: "Nine o'clock in London is 10 o'clock in Europe, and an increasing amount of our business comes from Europe and the Far East. There is already a market in gilt-edged stock before the 9.30 opening of the stock exchange, and this represents business that we're missing by not being open."

Loan plan for workers to fund training

By Philip Bassett, Labour Editor

THE GOVERNMENT yesterday announced in co-operation with three leading banks a £12m scheme to allow employees to borrow money to fund their own training.

Lord Young, Employment Secretary, said that under the scheme – called Career Development Loans – "individuals have the chance to acquire new skills cost-effectively. Through using those skills in a better-paid job, the loan should pay for itself."

The scheme, operated in conjunction with Barclays, Clydesdale and Co-operative banks, will initially operate in three pilot areas – Aberdeen in Scotland, Bristol and Bath in south-west England, and Reading and Slough, west of London – although Lord Young said that if successful, it would be extended more generally.

Under the scheme, people over 18 living in or intending to train in the pilot areas can apply to the banks, of which they do not have to be current customers, for loans of £500-£5,000 for a course lasting from a week to a year.

Those wishing to take up the scheme must fund 20 per cent of the course costs themselves.

Joint study is set up to examine future of legal profession

BY HAZEL DUFFY

BARRISTERS and solicitors – increasingly aware of criticism of the costs and effectiveness of their services – have taken a joint initiative in an attempt to demonstrate that they can agree on necessary changes within the legal profession.

For the first time, they have set up a joint committee which is charged with examining the profession and making recommendations on its future. Until now, joint committees have existed only for the study of specific matters.

The new committee will be chaired by a lay person – Lady Mary Marre, at present chairman of the BBC and IBA central appeals advisory committee, and formerly a member of the committee which advises the Lord Chancellor on legal aid. Five other independents have been appointed to the committee, joining five barristers, including Mr Robert Alexander, QC, chairman of the Bar, and five solicitors, including Alan Leslie, president of the Law Society.

The committee has been given two years to carry out its work. Its terms of reference are deliberately broadly framed so that it can look at a wide range of issues. These will include matters where the two wings of the profession are in disagreement, such as the present exclusive rights of audience enjoyed by barristers in the higher courts, and recent proposals from a Law Society group which called for a single system of education for lawyers.

If the committee feels it is in the best interests of the public, it can recommend that the two wings of the profession merge.

Although the improvement of service to the public has been given as the main reason for setting up the committee, the legal profession is well aware of the increasing pressure coming from outside to adapt itself more quickly to changing needs.

The Bar is particularly sensitive to the impression that it gives to the outside world of being old-fashioned, insular and operating on the lines of a closed shop. Barristers clearly feel that, rather than showing themselves to be at odds with solicitors, it is time to act together and reform the profession from within.

Solicitors, meanwhile, have been subjected to the shock of losing their monopoly on conveyancing, and have also come under heavy fire from sections of the public for the way that they handled complaints procedures.

Ulster stoppages over plastic bullet killing

BY HUGH CARNEGY

INDUSTRY in Northern Ireland was disrupted briefly yesterday as workers withdrew their labour to mark the death of Mr Keith White, the first Protestant to die in the province after being hit by a plastic bullet.

His death on Monday night has renewed controversy over the use of plastic bullets, this time with Unionists in an unlikely alliance against the weapon with nationalist politicians long opposed to them.

Several hundred men from the Harland and Wolff shipyard blocked a busy road outside the yard yesterday morning while the Rev Ian Paisley, leader of the Democratic Unionist Party (DUP), led a religious service. More workers inside the yard and at neighbouring Short Brothers downed tools and a similar protest was held at Ballylumford power station.

Other big factories in the province reported no interruption and, overall the effect on industrial production appeared minimal. But the 20-minute stoppages were a reminder that industry remains vulnerable to protests linked to the campaign against the Anglo-Irish agreement. It also came as Harland and Wolff anxiously awaits the outcome of a Government review of bids by it and Swan Hunter to build the first of three new Royal Navy auxiliary ships.

Mr White was hit on the head during rioting by Loyalists in Portadown, Co Armagh, on Easter Monday and had been on a life-support machine. His death was followed by disturbances in Ballymena and Belfast and a demonstration in Portadown.

Since Easter Monday, when police fired nearly 150 plastic bullets, Unionist politicians have condemned what they called the illegal firing of the four-inch long, five-ounce weapon. Since the plastic bullet was introduced in 1973, 12 people have been killed by them, previously all Catholics.

Unionists had not previously campaigned against their use, but now many Loyalist politicians are using language similar to their arch-rivals, Sinn Fein, in their condemnation. In condemning recent Loyalist attacks on the Royal Ulster Constabulary, Mr Peter Robinson, deputy leader of the DUP, has made a point of also attacking what he called the illegal use of plastic bullets in Portadown.

Mr Seamus Mallon, deputy leader of the Nationalist Social Democratic and Labour Party, said after Mr White's death that all deaths from plastic bullets must be condemned "without equivocation."

Sale of BSC stake in Canada breaks down

TALKS ON the sale of British Steel Corporation's (BSC) 50.1 per cent stake in Slater Steels, the Canadian special steels maker, have broken down, Andrew Fisher writes.

BSC, which has been selling its overseas assets, said yesterday that its discussions with a joint venture between Peterson, Jacobs and Harding, a New York investment firm, and Mr Paul and Mr David Fingold of Toronto had ended.

It is understood that the proposed sale, part of a C$70.2m (US$50.3m) cash offer for all of Slater's shares, foundered over financing terms. The joint venture intended to offer C$12.50 for each of Slater's 5.2m outstanding common shares.

The offer was to replace a previous bid of C$11.50 a share plus subordinated debentures of C$3 a share. It was subject to the completion of financing arrangements and legal formalities.

The Fingold family sold control of Slater to BSC in the early 1970s. Based in Hamilton, Ontario, Slater also has plants in Quebec and Indiana.

□ SOUTH WALES, once the biggest loss-making coalfield, has shown a profit for the first time in 30 years. Last month, the area's 17 pits made £850,000 profit with average monthly losses of more than £8.5m in the three years before the the year-long miners' strike which ended in March last year.

A National Coal Board official said "a tremendous team effort had turned a dead-loss coalfield into a no-loss coalfield." Eleven pits have shut and 8,000 jobs cut since the strike ended.

□ SALES of spirits in the UK revived last year, with an overall increase of 11 per cent, according to Customs figures published by the Wine and Spirit Association.

Imported spirits such as rum, cognac, brandy and liqueurs led the way, with an increase of 13.1 per cent compared with a rise of 10.4 per cent for UK-distilled products such as Scotch whisky, gin and vodka.

□ Britain's biggest importer of cut-price cars from continental Europe has collapsed, leaving behind hundreds of worried motorists.

The Department of Trade and Industry said that ETL Services of Pontardawe, near Swansea, and two sister companies owned by Mr Jurgen Dembach, had been closed under Section 447 of the Companies Act.

The Department will go to the High Court in London on May 19 to have the companies officially wound up.

□ MR ROBERT MAXWELL, the publisher, said he planned to launch a London evening newspaper this autumn to rival the long-established Standard and a third paper planned for launch before the year end by Chequepoint, the finance group.

Mr Maxwell said his London Daily News would be edited by Mr Magnus Linklater, while Mr Charles Wintour, former editor of the Standard, would be an editorial consultant.

Strike-free deals sought, Page 11

□ THE PRISON Department offered the prison officers' union informal talks on manning levels in a bid to avert industrial action. The national executive of the Prison Officers' Association will consider the offer today when it is due to announce the result of a strike ballot.

The dispute is over the refusal of the Prison Department to allow the association to negotiate manning levels in prisons.

□ PRINCE CHARLES was granted a High Court order quashing the registration of some land he owns on his estates in Cornwall, south-west England, as common land. Local farmers who had claimed the right to graze cows, ponies and sheep on the land, agreed to the order.

□ LITTLEWOODS Organisation, the pools, mail order, and stores group, reported a 25 per cent increase in pre-tax profits for the year to December 31 1985. This was in spite of only a 7 per cent increase in sales from £1.55bn to £1.66bn. Pre-tax profit rose from £7.3m to £12.6m.

UK NEWS

Coal pension funds buy remainder of Watergate

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

THE National Coal Board pension funds have acquired full ownership of the Watergate hotel and office complex in Washington, where the political scandal which led to the resignation of President Richard Nixon began.

The funds previously owned a half-interest in the Watergate Centre. The notorious Washington landmark becomes a wholly owned part of the $1bn (£675m) US property portfolio jointly held by the two pension funds representing the UK coal industry's staff and manual workers.

The Watergate complex, situated in the heart of the US capital on the banks of the Potomac, secured its place in American history as the headquarters of the Democratic Party's national committee and the scene of the 1972 break-in which ultimately brought about President Nixon's downfall.

The coal board funds acquired a half-share in the Watergate Centre in 1979 when they took over Continental Illinois Properties, a big US property investment trust. They have purchased, for an undisclosed sum, the outstanding 50 per cent stake from Mr Nicholas Salgo, a Washington real estate investor who is now US Ambassador to Budapest.

The deal emerged yesterday when the funds announced that they had signed a seven-year contract with Cunard, the Trafalgar House subsidiary, to manage the hotel as well as several restaurants and shops within the Watergate complex.

Management of the 238-bedroom hotel was previously the responsibility of Buckingham Holdings, one of the funds' principal US investment subsidiaries. Cunard and the NCB funds are to co-operate on an extensive renovation programme for the 17-year-old hotel building.

The agreement represents Cunard's first move into hotel management and the company is currently negotiating for similar contracts in other American cities.

● Trafalgar House and Brookmount, its development partner, have submitted three outline planning applications to develop a £100m office, retail and industrial complex on the site of the former Brooklands race track at Weybridge, Surrey, southern England.

July set as target for arms group sale

By Lynton McLain

ROYAL ORDNANCE, the state arms and munitions company, is "on target for a flotation of its shares in July," Mr Bryan Basset, the chairman, said in London yesterday, but he expressed doubt about the wisdom of selling the organisation before it had shown its potential as a company.

A July sale, decided by the Ministry of Defence (MoD), meant that "the MoD may not get the full value for the company," Mr Basset told journalists after a presentation of the company's plans in London.

He gave no forecast for the likely sale value, but brokers in recent months have put a figure of less than £200m on the company. A July sale, however, could give potential investors shares with good growth prospects, he said.

He said he would have preferred a flotation in 1988. "This would have given us another two years to realise the potential of the company."

Royal Ordnance has had only 16 months from its formation in January last year as a public company owned by the Defence Secretary, to prepare itself for flotation this year. Previously the Royal Ordnance factories were part of the MoD, acting as an in-house supplier of arms and munitions, largely to the UK armed forces.

A sales organisation has been created and there have been many successes, including the sale of 81mm mortars to the US. Many further orders are pending.

A large order, possibly worth up to £100m, is possible from the MoD for Challenger main battle tanks for the British Army. Royal Ordnance is hopeful of at least part of this before privatisation. The order is crucial for the tank factory at Leeds, Yorkshire, which was forced to make 127 people redundant because of lack of work shortly before Easter.

Mercury deal with AT&T on US calls

By Jason Crisp

MERCURY Communications has reached an agreement with AT&T to carry its international dialled calls to the US.

Earlier this week, Mercury, a subsidiary of Cable & Wireless, announced its plans to launch a dialled trunk and international telephone service to rival British Telecom starting next month.

From the early summer, AT&T will accept Mercury calls to the US. It is the first US carrier to reach an agreement with Mercury for a dialled service. Mercury plans to undercut BT on some international routes including the US, Canada and Hong Kong where C&W runs the local telephone companies.

Mr Gordon Owen, managing director of Mercury, said yesterday: "I hope this recognition of Mercury by the largest carrier in the world will encourage others to accept that competition in international telecommunications is now a fact.

Mercury is not yet certain that the AT&T link will coincide with the launch of its own service. However, this will not affect customers who will still get a 17 per cent discount on peak transatlantic calls, which will be carried via BT to one of the US carriers.

Telegraph management seeks strike-free deal

BY PHILIP BASSETT, LABOUR EDITOR

MANAGERS at the Daily Telegraph and Sunday Telegraph have put forward radical labour relations proposals including a legally binding, strike-free deal for production workers at the papers's new London docklands printing plant.

The Daily Telegraph's proposals were put to union chapels (branches) last month. They are broadly in line with those being canvassed by Mr Rupert Murdoch's News International for journalists at his Wapping, east London, printing plant. They are also similar to those put to the print unions at the end of last year before the start of the Wapping dispute over the transfer of Murdoch titles to Wapping.

The proposals, made by West Ferry Printers, the company formed to print the two Telegraph papers at its Isle of Dogs site in east London, and at its now-completed Manchester plant, include:

● All collective agreements should be legally binding on both sides.

● Disputes should be resolved by a procedure ending in pendulum arbitration – the strike-substitute mechanism at the heart of the so-called "no-strike" deals signed by the EETPU electricians' union and others, mainly agreed with Japanese companies but also in outline with Mr Eddie Shah's recently launched paper, Today.

● The company would be protected by a lay-off clause – unique for national newspapers – allowing it to lay employees off temporarily under certain circumstances.

● Pay negotiations would be handled solely in-house. West Ferry Printers would not take part in the annual Newspaper Publishers' Association bargaining.

● Management would have the right to control the labour supply, and to move staff internally within the plant as required.

Raymond Snoddy writes: Racing Post, the new racing daily newspaper, got off to a patchy start yesterday with some newsagents in the south of England not receiving copies because of problems with the print run.

Journalists on The Times have given the cold shoulder to a proposal floated by the paper's management that they could secure a "substantial" pay rise in return for signing a legally binding no-strike agreement at their high technology plant at Wapping, east London.

Journalists have lodged a claim for a 25 per cent pay rise since News International switched production of the title to Wapping.

UK NEWS

Europeans 'losing out in race for new materials'

By Nick Garnett

BRITAIN and the rest of Europe are seriously losing out to Japan and the US in the race to develop and apply new materials in industrial production and unless this is reversed their ability to compete will be further weakened.

The Financial Times conference on the management implications of new engineering materials was also told that expenditure by UK companies on research into new materials such as ceramics and composites was feeble; designers were largely ignorant of many of the new processes and materials; and development of production techniques lagged far behind materials technology.

There was a strong undercurrent of feeling, however, that British technologists were very good at developing new material uses but the UK was handicapped, largely because its engineering base had declined to such an extent that there was a severe shortage of customers seeking industrial application.

Professor Peter Hancock, head of the School of Industrial Science at the Cranfield Institute of Technology, referred to a report last year on new materials published under the auspices of the Department of Trade and Industry.

This report recommended the spending of £120m over five years on developing applications for new materials. Prof Hancock said the US was already spending £750m a year on this, and in Japan, Miti alone was spending £200m a year.

Europe's problem was the slow rate of technology transfer. In the UK, major issues were the need for improved communications between departments within companies and for closer liaison between education and industry.

Mr Clive Ennos, chief engineer for car engineering at Ford Motor Company said a big problem was the lack of processing and manufacturing development addressed to industry's needs.

"The development of new materials becomes purely academic if their potential cannot be realised by production," he told the conference.

Dr Donald Bell, director of the Department of Trade and Industry's National Engineering Laboratory, said product design engineers suffered from large gaps in their knowledge of new materials and processes.

This resulted from the way new materials were introduced to engineers during educational training and the limited types of materials covered in general design training.

"There is also a basic awareness problem which leaves the practising designer with an inadequate knowledge of available material and processes," he said. Much information and data was "superficial, commercially biased and lacking in the detail actually needed for design."

The challenge facing designers involved not only extracting the most out of materials but ensuring they could be used quickly without the need for decades of trial and error development.

Dr Norman Waterman, managing director of Quo-Tec, said the pull of new applications was necessary for the development of new materials technology.

The world would not see great changes in the use of new materials in vehicle bodies but it would in engines and drive trains.

Mr Eric Briscoe, chairman of Fairey Tecramics, said European countries were too small on their own to attack the problem of competition from the US and Japan. Consortia were necessary and potential users of new materials had to be encouraged much more than at present.

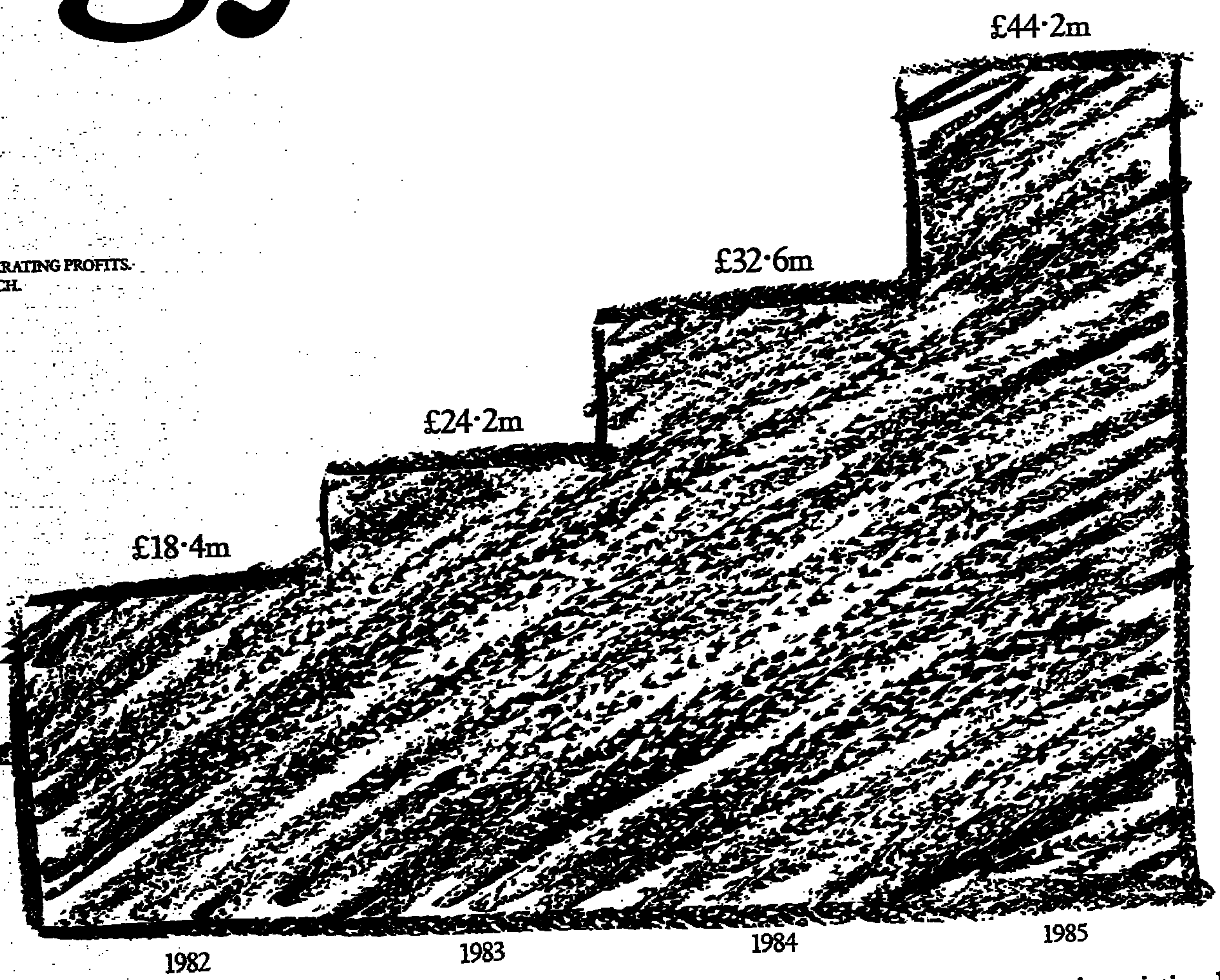
Dr Thomas Thomsen, member of the managing board of Braun, the West German company, said that keeping track of technology was becoming increasingly difficult for medium-sized companies. Reliance on in-house laboratories was no longer appropriate.

Miss Norvela Forster, managing director of IAL Consultants, said the Japanese were clear leaders in ceramics; Europe lagged behind the US, and the UK lagged behind West Germany. The consumption of thermoplastic composites presented a brighter picture for Europe.

Mr Bob Godwin, director of technology, British Aerospace, said companies had to identify engineers who were enthusiastic and inquiring enough to influence decision making. But companies had to structure their design organisations so that the most creative people were surrounded by those with the discipline to organise activity within the framework of company goals.

A step by step guide to the success of Argyll Foods.

ARGYLL FOODS OPERATING PROFITS.
YEARS ENDED MARCH.



Argyll Foods profit growth of 140% since 1982 has resulted almost entirely from improvement in existing businesses.

Argyll Group PLC.

UK NEWS

Lloyd's ready to rebuild management structure

BY JOHN MOORE, CITY CORRESPONDENT

THE LLOYD'S of London insurance market is to embark on a series of organisational changes in its management structure after the publication yesterday of an internal report.

The report has been prepared by Sir Kenneth Berrill, a member of the Lloyd's governing council and four other members of the council, who have been examining the organisational structure of Lloyd's.

The inquiry was triggered by the resignation last year of Mr Ian Hay Davison, the market's first chief executive, who feared that his terms of reference might be changed and his independence in the market eroded. Mr Davison clashed with Mr Peter Miller, Lloyd's chairman, over the respective roles of the chairman and the chief executive.

The inquiry was set up when a £22m accounting error was discovered last year in the annual results of the Lloyd's market. In his report published yesterday Sir Kenneth revealed that other organisational weaknesses had been discovered at Lloyd's which had led to the establishment of the inquiry.

He said that there were a number of incidents which were symptomatic of a wider organisational problem relating to the quality of support for Mr Miller and the governing council by administrative staff. He cited:

● The presentation at the same meeting of the council of two reports by different sections of the Corporation of Lloyd's – the administrative hub of the market – which dealt with two related topics but which had not been married together in any way.

● Lack of planning on a major issue which was due to be discussed with a government department.

● Selection for an important task of external professional advisers who were not suitable.

● Misunderstanding with a government department over the conclusions to be drawn from certain important statistics.

In an effort to reform the organisational structure to improve its efficiency Lloyd's intends to involve its 2,000 administrative staff in executive functions of the organisation. The number of committees formed of Lloyd's council members and other senior members of the market is to be reduced as executive power and the decision-making process is devolved to the staff.

The Berrill inquiry team has rejected suggestions made by some City of London figures that the chairman of Lloyd's should be recruited from outside the market to ensure that he is independent. "It is a vital part of the role of the chairman of Lloyd's to speak overseas on matters concerning the health or otherwise of the insurance markets in which Lloyd's operates," says Sir Kenneth Berrill.

Time to take a broader look at money

BY TIM CONGDON

THE BATTLE of the aggregates has been the most hard-fought intellectual struggle in the Government's long anti-inflationary campaign. Its objective has been to determine which measure of money is most suitable as a target for monetary policy. In his speech to the Lombard Association tonight, Mr Nigel Lawson, Chancellor of the Exchequer, will give an official verdict on the latest tussles between the two sides.

The supporters of broad aggregates have normally favoured sterling M3, which includes all bank deposits as well as notes and coin. For much of the period since 1976 (when monetary targets were first introduced) sterling M3 was in virtually total command of the battlefield. However, its hegemony was undermined in 1981 and 1982 when several commentators urged that narrow money, as measured by either M1 or M0, had a more reliable relationship with national income. (M1 includes sight deposits and notes and coin; M0 only notes and coin.)

Their views were reflected in official statements, particularly after Mr Lawson became Chancellor of the Exchequer, and the Government began to stress that M0 and sterling M3 played an equal role in determining interest rates. It appeared that sterling M3 was in headlong retreat and would soon be judged unfit for combat. However, the M0 camp has also recently suffered an embarrassing reverse.

At the end of last year some of its adherents tried to use M0 for forecasting purposes. Most notably, Professor Patrick Minford of Liverpool University claimed in a Centre for Policy Studies publication in December that, as M0 had grown at a "miserable" 1½ per cent over the previous six months, "we now have the tightest monetary policy we have ever had." He warned that "a stalling in the growth rate" was "increasingly likely" unless immediate action was taken to reduce interest rates.

In fact, interest rates were raised slightly in the first quarter of 1986, but there is almost no sign of the slowdown Prof Minford predicted. The most telling counter-evidence is the buoyancy of the housing market and the resilience, at high levels, of retail sales and car registrations. Indeed, in January, new orders for private residential construction – widely recognised to be a good lead indicator for the economy as a whole – were stronger than for three years.

But it would be unfair, in a criticism of M0, to concentrate on one particular forecasting error. The failure of prognosis here is the result of a more general drawback of all narrow money aggregates. Narrow money – in either its M0 or M1 versions – does not determine important economic variables, such as prices and output, but is determined by them. It follows, rather than leads, the economy.

The explanation for this subordinate role is not difficult to understand. Consider the behaviour of an average individual with a bank or building society deposit. Every week, or fortnight, he draws some cash from his deposit to suit the flow of his minor transactions. The amount of cash he has adjusts to the value of his transactions, not the other way around.

More generally, M0 – which, to repeat, consists only of cash – is determined by what is happening in the economy now; it does not determine what will happen to the economy in future. To use M0 as a predictive tool indicates a rather serious misunderstanding of how money works. For this to be valid, ICI would have to base its investment plans on fluctuations in its petty cash tills and the Prudential Assurance would have to alter asset allocations in accordance with the value of the notes held by its staff canteen and sports club.

The recent behaviour of sterling M3, unlike that of M0, has given many useful clues to the economy. When the Government abandoned overfunding last summer, the growth rate of broad money accelerated. As is usually the case in the early stages of any monetary upswing, most of the extra bank deposits were held by companies and financial institutions, not by the personal sector.

In fact, companies and financial institutions had more bank deposits than they needed and have been trying hard to get rid of their excess liquidity. In particular, they have been buying financial assets with great enthusiasm. The takeover boom, and the 20 per cent surge in share prices in the first quarter, can be interpreted as the direct consequence of the recent misbehaviour of sterling M3.

In the budget speech, Mr Lawson sanctioned a target range for sterling M3 of 11-15 per cent in the 1986-87 financial year, after a 12-month period in which it had increased by 16½ per cent. It may take another year to 18 months before such fast monetary growth is reflected in higher inflation in terms of goods and services, but it has already been reflected in higher inflation in terms of asset prices.

If he is to show himself a prudent monetary general, Mr Lawson should concede some ground to sterling M3 in his speech tonight. If he instead tries to end the battle of the aggregates once and for all by relegating sterling M3 from target status, he will find that its supporters in the City of London can put up a staunch defence.

Tim Congdon is senior economist at L. Messel & Co, City of London stockbrokers.

Plan to tell public more about disposal of waste

BY DAVID FISHLOCK, SCIENCE EDITOR

NEW LEGISLATION is being planned to give the public greater access to information in two key areas of pollution control – radioactive waste disposal and land dumping of wastes in general – the Government disclosed yesterday.

It has accepted the findings of an inter-departmental working party asked to report on ways of implementing a Royal Commission recommendation, two years ago, that in pollution control "there should be a presumption in favour of unrestricted access for the public to information which the pollution control authorities receive by virtue of their statutory powers."

The report sees a need for new primary legislation in the case of radioactive wastes, where currently there is no power for the responsible government departments to make information public.

The "quite draconian changes" foreseen – to quote one senior official – will apply to more than 5,000 sources of radioactive waste in Britain, including many health authorities, industrial and research premises, as well as the nuclear industry.

Relatively big changes are also proposed to permit public access to details of the control of land dumping of other kinds of wastes.

In both cases, it is also envisaged that the Environment Secretary will have the last word in deciding whether to authorise disclosure in special situations of public concern.

However, provision is still envisaged to deny access to information when the Government considers that national security or commercial confidentiality outweigh the advantages of disclosure.

New secondary legislation is expected to cover pesticides, where detailed proposals for access to information are already being considered by the Ministry of Agriculture.

In the case of air pollution, the report recommends that specified elements of industry's agreements on "best practicable means" should be made available to the public registers held at the national air pollution inspectorate and local authority offices.

Mr William Waldegrave, Environment Minister, told Parliament yesterday that the Government accepted the broad thrust of the working party's report.

Public access to environmental information. Pollution Paper No. 23. HMSO. £4.50.

BBC might open files to staff

BY HELEN HAGUE, LABOUR STAFF

THE BBC has agreed in principle to allow staff to have access to their personal files in a package of proposals put forward to broadcasting unions following controversy surrounding security vetting and the banning of a documentary film last year.

The proposals also include agreement in principle to end security vetting of existing staff and job applicants for editorial purposes.

However, staff who volunteer to run the corporation's wartime or emergency service will still be subject to security vetting – the outcome of which will not be disclosed either to themselves or their line managers.

In addition, existing files relating to previous security vetting exercises for editorial posts will be destroyed under the outline proposals.

Details of a system of independent inspection of BBC records to ensure that the planned new accord with the unions on vetting is adhered to will be discussed with the National Union of Journalists and the Broadcasting Entertainments Trades Alliance at the end of the month.

In the BBC's external services, a small group of senior staff who receive classified information from the Foreign Office will continue to be vetted – along with a limited number of staff outside the news department.

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UK NEWS—PARLIAMENT and POLITICS

Move to cut debate on Social Security Bill

By Kevin Brown

THE GOVERNMENT moved yesterday to cut short debate on the controversial Social Security Bill, which ministers claim is bogged down in the line-by-line committee stage procedure.

The bill, which reforms the State Earnings Related Pension scheme (Serps) and introduces far-reaching changes in the social security system, has been before an all-party standing committee of MPs for two months.

Opening a debate on a motion to guillotine further discussion, Mr John Biffen, the Leader of the Commons, said the committee had considered only half of the bill in 115 hours of debate.

Mr Biffen said the committee would require 230 hours to complete consideration of the bill if progress continued at the present rate.

"This amount of time is simply not available if the bill is to reach the statute book in this session," he said.

Mr Biffen said the Government was entitled to assume that its proposals reflected the will of the majority of the Commons. The bill contained some contentious proposals, but it followed extensive consultation, and would greatly improve and simplify the social security system.

The guillotine motion allows the committee until May 1 to complete its consideration of the bill, and provides a further two days on the floor of the Commons for the report stage and third reading debates.

Mr Peter Shore, the shadow Leader of the House, said the Government had no mandate for the bill.

Mr Shore said the bill was a "blatant, cynical and shameful breach" of a promise by the Prime Minister not to alter the State Earnings Related Pension scheme.

Mr Archy Kirkwood (Roxburgh and Berwickshire) for the Liberals said the Government had made "a bad blunder" in imposing the guillotine.

Government support for attack on Libya 'in national interest'

BY IVOR OWEN

BY AGREEING to allow the United States F1-111 aircraft operating from British bases to attack specific terrorist targets in Libya the Government acted in accordance with the national interest and the United Nations Charter, Mrs Margaret Thatcher, the Prime Minister, claimed in the Commons yesterday.

Her vigorous support for President Reagan's decision to take direct action against "state terrorism" in Libya clearly failed to satisfy many Tory backbenchers, most of whom offered only desultory dutiful cheers as she came under strong criticism from the Opposition benches.

Mr Neil Kinnock, the Labour leader, maintained that the Prime Minister should have played the role of "candid friend" and advised President Reagan against embarking on a course which was not only unlikely to achieve its stated purpose but would leave many people in Britain "extremely vulnerable."

Mrs Thatcher gave an assurance that military establishments and government departments had been placed on a "high level of alert" and urged members of the public to be aware of the possibility of indiscriminate attacks and to report anything suspicious to the police.

The dangers associated with the Government's approach were further underlined by Mr Cyril Townsend (C, Bexleyheath), who told the Prime Minister: "Many of us are deeply troubled by your uncritical support for the United States which has grossly overreacted."

He feared that her own reaction could only "fuel terrorism, bitterness and bloodshed."

Mrs Thatcher disagreed totally and recalled that earlier attempts by the United States to persuade the EEC to take effective non-military action to deter Libya's terrorist activities had failed to achieve any effective result.

Sir Ian Gilmour (C, Chesham and Amersham), the former Cabinet minister who has been responsible for both defence and foreign policy, described the Government's decision to grant permission for F-111 aircraft operating from British bases to attack Libya as "mistaken." He said the greatest evil of terrorism was the killing and wounding of innocent people.

He asked why the Government had not stipulated that the aircraft should not be used for attacks on targets in civilian areas.

Mrs Thatcher insisted that the US aircraft had been deployed for purposes of self-defence as defined in Article 51 of the UN Charter. The attacks on Libya were in response to terrorist assaults on United States citizens and in the knowledge of "solid evidence" that Libya was planning further outrages.

Cyril Townsend criticised "uncritical support" for the US but his argument was rebuffed

While admitting that there were some risks involved in the action by the US, she said that to have done nothing would have been tantamount to saying that "you should never tackle or take any action to reduce state-sponsored terrorism—you would have to cringe before Col Gadaffi."

Mr David Steel, the Liberal leader, seized on an admission by the Prime Minister that once she had received President Reagan's request for permission to use the F-111 aircraft operated from British bases, it was inconceivable to her that the Government could have refused when the US was only seeking to defend her own people.

Mr Steel interpreted this as equivalent to Mrs Thatcher proffering a "blank cheque" to the US in the use of their British-based forces.

The Prime Minister retorted that the action undertaken by the US was limited to specific Libyan targets "demonstrably involved in the conduct and support of terrorist activities."

She also stressed: "I reserve the position of the UK on any question of further action which might be more general or less clearly directed against terrorism."

Both Mr Michael Foot, the former leader and Dr David Owen, leader of the Social Democrats, pressed the Prime Minister to explain why Britain and the US had not taken their evidence of Libya's direct involvement in terrorism to the UN Security Council.

Mrs Thatcher contended that such a course would have been "totally unrealistic" because there would have been no prospect of effective action. She told Mr Roy Jenkins (SDP, Glasgow Hillhead) that the US had explained that the use of the F111 aircraft from British bases would ensure that the attacks on terrorist targets in Libya would be conducted with the greatest possible accuracy and with the least possible risk to US pilots.

The Prime Minister was adamant that faced with the same situation she would have taken the same decision again. She confirmed that Britain's European Community partners had not been told that the US had been given permission to use aircraft operating from British bases because it was "a matter for our own decision."

Questioned whether she had acted on her own or with the knowledge and approval of other senior members of the Cabinet, she said Sir Geoffrey Howe, the Foreign Secretary, and Mr George Younger, the Defence Secretary, had been at 10 Downing Street when President Reagan's initial message was received. "We have acted together in knowledge of one another's views throughout."

There were Opposition cheers as Mr Bob Litherland (Lab, Manchester Central) said: "This action and build-up of American naval power in the Mediterranean is a threat to world peace."

He told Mrs Thatcher: "You should divorce yourself from Reagan's Rambo policies in that area. I believe this is not the answer to international terrorism, that we all abhor."

Mr Dennis Walters (C, Westbury) said he recognised the frustration felt by America in dealing with the Libyan Government. But he warned: "Won't the effect of this American attack on Tripoli be to strengthen President Gadaffi and weaken our moderate friends in Egypt, Jordan and the Gulf."

To Labour jeers, Mrs Thatcher insisted: "No, I do not believe it will have that effect."

She said Libya had undertaken terrorism "for a long time." And she demanded: "How much longer were we to remain passive and not exercise the right of self-defence inherent in the Charter?"

In the Lords, Lord Home, former Conservative Prime Minister, called for an urgent meeting between the US, Europe and other countries on terrorism.

May 8 by-elections confirmed

BY OUR POLITICAL STAFF

POLLING DAY in the Conservative-held constituencies of Ryedale and West Derbyshire will be on May 8—the same day as local government elections—it was decided yesterday when the Government moved the two writs in the Commons.

Mr Patrick McLoughlin (Conservative), Labour's Mr William Moore and Mr Christopher Walmsley for the Liberals are the candidates in Derbyshire West.

The vacancy was caused by the resignation yesterday of Mr Matthew Parris, who is to become presenter of the London Weekend Television current affairs programme, Weekend World.

In Ryedale the main contenders are Mr Neil Balfour for the Tories, Mrs Shirley Haines for Labour and the Liberal Mrs Elizabeth Shields. The by-election was caused by the death of Mr John Spence.

Meanwhile, the Alliance is holding a campaign conference at Westminster today to discuss tactics and campaign themes in the elections.

Mr David Steel, the Liberal leader, said yesterday: "Our objective is to take these two seats from the Tories and we have a good chance of doing that with a well-organised campaign. The Alliance has a strong local base in both constituencies and Labour is nowhere in the picture.

"The purpose of this conference is to ensure that we run co-ordinated campaigns that make the best use of our resources and the opportunities open to us."

Lifeboat fee 'not taxed at source'

LIFEBOATMEN can put to sea in rescue missions knowing that their call-out fee will not be taxed at course, the Government confirmed today.

Despite assurances in a Commons written reply by Mr John Moore, Treasury Financial Secretary, that no deduction would be made under PAYE, Mr David Harris (C, St Ives) who has five lifeboat stations in his constituency, said he was only "half pleased."

Tory MPs say they will stand down

FINANCIAL TIMES REPORTER

MR ESMOND BULMER, Conservative MP for Wyre Forest, has announced he will not stand at the next General Election.

Mr Bulmer, who has represented the constituency since 1974, is chairman of the Bulmer's cider company.

He said the company's growing international commitments made it impossible for him to devote sufficient attention to politics. Between 1974 and 1979, when the Conservatives were in opposition, Mr Bulmer worked with Mr James Prior, the former Employment Secretary, drawing up party policy on the trade unions.

Another Tory, Sir Walter Clegg, MP for Wyre, is to retire at the next general election. Sir Walter, who is 65, gives ill health as his reason.

He has been in the Commons for 20 years and at the last election had a majority of 14,811 over the SDP.

He was knighted in 1980 and in 1972-73 was vice chamberlain and later Comptroller of the Royal Household. He is treasurer of the 1922 committee.

Sir Walter was injured in the Grand Hotel bombing in Brighton in 1984.

How Sunday trade bill was stopped

Peter Riddell on the mixture of relief and embarrassment at the demise of the Shops Bill

EMBARRASSMENT was mixed with relief at Westminster as Government business managers considered the implications of the loss of the Shops Bill by 14 votes early yesterday.

There was embarrassment because this is the first time a government, particularly one with such an overwhelming paper majority, has lost an important item of its legislative programme since the Callaghan Administration's problems a decade ago over the Scottish and Welsh devolution bills.

Ministers had emphasised the vital need for the bill, and a three-line whip had been imposed yet 72 Tories voted against the Government and a further 15 to 20 abstained.

In the end, ironically, the decisive votes came from the 14 Ulster Unionist MPs who temporarily suspended their boycott of Westminster to oppose the bill.

There was relief because many ministers and whips had been unenthusiastic about a measure which had provoked such controversy and which promised lengthy and heated debates during the summer.

A common Conservative backbench verdict yesterday, among both supporters and opponents, was that it was better to kill the bill now rather than to have to endure a protracted and probably unsuccessful attempt to find a solution during all-night debates in July.

None the less, the defeat itself was unexpected. The betting had been that there might be a majority of 20 or so with the bill being amended in committee.

The explanation for the defeat lies partly in short term tactical questions but also more fundamentally in the extent of hostility provoked by the proposal to remove all remaining restrictions on trading hours.

Indeed, the issue has been a dramatic example of the way in which the radical instincts of the Government, or rather of Mrs Thatcher and her allies, have clashed with the conservatism of many traditional Tory supporters.

Whatever may be the true nature of public views on Sunday trading, there is no doubt that the issue has produced some of the most extensive and effective lobbying of MPs ever seen in Britain.

The number of opponents may have been relatively small but few MPs remember so many letters on an individual question or such difficult public meetings with local churches and small businessmen. "Keep Sunday Special" proved to be a powerful slogan.

Tactics of Douglas Hurd startled the whips

Ingenious tactics of John Wakeham backfired

This pressure, together with the opposition on conscience grounds of many committed Christians at Westminster, produced a large pool of opponents which the Government whips spent much time trying to neutralise. But, in practice, all the ingenious tactics of Mr John Wakeham, the Government Chief Whip, backfired.

The proposal to have a three line whip on second reading followed by free votes on committee and report stages might have worked if the strength of feeling had been less. But many members objected to a three line whip on what has previously been regarded as a conscience issue. They regarded the second reading vote as the most important since the balance of votes then would determine the balance of opinion on the committee considering the bill.

The turning point may well have come during Monday's debate itself when, in answer to a Labour intervention, Mr Douglas Hurd, the Home Secretary, promised that the bill would not be guillotined by a timetable motion. The disclosure of this approach startled government whips who had not expected this concession to be offered until later.

Moreover, many opponents of the bill wondered whether, without a guillotine, the bill might simply be talked out.

Further confusion was added during the wind-up speech of Mr Kenneth Clarke, the Paymaster General. In a clash with Mr James Callaghan, at his most mischievously incisive, Mr Clarke left open the possibility of a guillotine being imposed in response to a backbench initiative if the debate threatened to be open-ended. Similarly, he said the Government would whip its supporters to back closure motions on particular amendments.

All this left Tory critics of the bill irritated and transformed potential abstainers into outright opponents as they believed that there was no real point in trying to prolong debate on the measure.

The Government whips do not, however, believe that the debate changed many members' votes. Before Easter they had estimated a likely total of up to 87 rebels — there were no surprises in the vote — and they believed the result would depend on whether Labour managed a near full attendance and then there was the unexpected arrival of the unionists.

Conservative Party chairman Mr Norman Tebbit yesterday commented that it was likely to be a long time before another attempt was made to reform the trading laws. He said the vote had been won not by principle, but probably by word processors which had been pumping out letters to MPs who thought they were listening to the true voices of their constituents.

The result is undoubtedly a temporary humiliation for the Government and a setback for Mr Hurd after his recent rise. Following the rows over Westland and BL the affairs underline the doubts of many Tory MPs about the Government's lack of sensitivity

The sole direct victim of the vote is Mr Andrew Hunter, the Tory MP for Basingstoke and the only parliamentary private secretary who voted against the Bill. He resigned yesterday from his post as PPS to Lord Elton. However, the four parliamentary private secretaries who abstained on the vote are not to be sacked.

The vote undoubtedly further buoyed Labour Party spirits especially after their victory at Fulham and this was reflected by an ebullient Mr Neil Kinnock. However, the issue does not reflect deep-seated divisions among Conservative MPs on mainstream political and economic questions. The rebels covered the whole range of the parliamentary party, young and old, urban and rural, traditional right and "wet," solely accepting the free marketeers.

The Shops Bill episode is soon likely to be forgotten. Indeed, its impact was being overshadowed within half an hour of the vote by the first news of the bombing of Libya. Consequently the topic was not raised at all on the floor of the Commons.

Insofar as the Shops Bill affair is remembered it will be seen as an example of the problems any government faces in legislating on issues of conscience—as well as being another illustration of Mr Francis Pym's warning about the dangers for a government of too large a Commons majority.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

David Churchill examines a retailer's traditional values

A big step for John Lewis

A FEW months ago one of Britain's most successful retailing groups, the John Lewis Partnership, took what, for it, was a momentous decision.

While debate was raging in the retailing industry about whether or not to support controversial government plans for Sunday trading—the legislation for which failed to receive its second reading in a stormy House of Commons early yesterday morning — John Lewis finally decided to open its central London stores . . . on a *Saturday* afternoon.

The decision came after months of agonising, including stormy meetings of its staff representative councils. John Lewis owes much of its commercial success to an unusual employee participation scheme —the 'partnership' of its name —which has created a highly motivated team of buyers, store staff and so on. But on this occasion the system delayed the company's response to market conditions.

Competing London stores had always had a free hand on Saturday afternoons. "We used to pick up all the trade from disappointed customers who found the store shut on a Saturday afternoon," admits the managing director of one large rival.

To many other retailers—and to the public at large—John Lewis's reluctance to open all day on Saturday was an anachronism out of keeping with modern British retailing practices.

But it serves to emphasise the paradox that is John Lewis: unusually successful yet at the same time seemingly scornful of the retail world around it.

While other retailers, such as the "Next" fashion retailing chain, have succeeded by targeting on new consumer spending patterns, and by putting much more emphasis on attractive store and product design, John Lewis has firmly resisted such moves.

Moreover, both staff and management have been consistently opposed to Sunday trading—"we are on the side of traditional values," says the company—which now appears to be justified by the failure of the Shops Bill in the Commons.

Peter Lewis, chairman of the Partnership, is sceptical about many of the new trading concepts which are being proferred in response to the intensely competitive conditions of today's retail markets.

Lewis, the quietly-spoken, ex-barrister and nephew of the founder, John Spedan Lewis, typifies the whole John Lewis operation: stolid, respectable, and oozing value for money. "We don't need to keep telling everyone how great we are—that's not our style," he explains.

The lack of razzmatazz has not hampered profitability. Pre-tax profits in the year ending January 25 were some 25 per cent higher at £82m, with sales up by 14 per cent to £1.37bn.

While John Lewis has prospered in the 1980s its *main department store rivals*—House of Fraser and Debenhams—have come adrift. House of Fraser is Britain's biggest department store group with 98 stores and about a quarter of the market. But it has been struggling for some years to bring its diverse operations under centralised control. In order to improve its image it is currently spending heavily on a design re-vamp of many of its stores.

It has also been beset by several years of boardroom wrangling, involving Roland "Tiny" Rowland's Lonhro group, which eventually saw House of Fraser sold last year to the Egyptian Al-Fayed brothers for £615m.

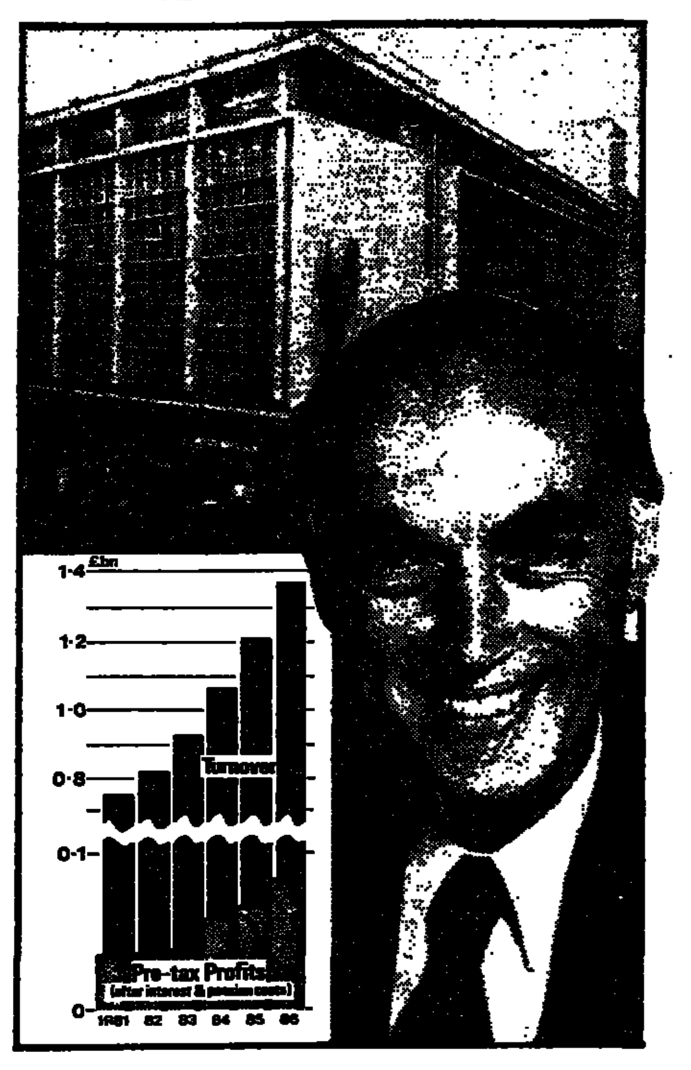
Debenhams, with 67 stores and about 17.5 per cent of the market, was also taken over last year. It fell victim to the design-minded Burton group.

John Lewis has only 21 department stores — a third of the size of Debenhams — but last year its profits were roughly double, according to City analysts. (Burton does not disclose the separate Debenhams figures.)

Apart from the department stores — which stretch from Edinburgh to the south coast — the Partnership also includes some 80 Waitrose supermarkets and a clutch of other manufacturing, farming, wholesale, and export businesses which feed the retail chains.

What makes John Lewis different from these other department store groups? "The hallmark of successful retailers like Marks and Spencer, Sainsburys, and John Lewis is that they all have a fairly simple goal which they keep firmly in mind," suggests Paul Deacon, a retail analyst with stockbrokers Wood Mackenzie.

Peter Lewis agrees. "We provide our customers with quality merchandise that they want and at a price they can afford — it's as simple as that," he maintains. "Our managers' responsibility is to identify the essentials of good retailing and then to apply them consistently over a very long time."



In reality, the John Lewis style of trading is a lot more complex than that, embracing effective back-up systems and sound stock control techniques, including the sort of sophisticated point-of-sale data capture system that is only now becoming widespread in other retailing groups.

Both the department stores and supermarkets have also developed an appeal which is spread right across the socio-economic and age groupings. This contrasts with House of Fraser's problem of having an aging customer profile or Debenhams' problem of its customers being too down-market.

Moreover, John Lewis's pricing policy—"Never knowingly undersold"—has been copied many times by other retailers but without the same degree of success. "People seem to believe what John Lewis says about its prices while mistrusting other retailers," suggests Wood Mackenzie's Deacon. "It is a wonderful position to be in."

Yet perhaps the key to the John Lewis style is its "partnership" principles, which involve all staff in the company in a novel form of industrial democracy.

This not only gives them a say in how the company's policy decisions are taken, but also a tangible return in the form of a profit-related "partnership bonus" which in recent years has been climbing to 20 per cent of annual basic pay. In the last financial year the 28,000 employees shared a record £30.6m between them. This was some 38 per cent of the company's net profits.

The Partnership system creates a high level of commitment throughout the company, and an unusual design of cohesion between the buying and selling sides of the organisation. To the customer, this manifests itself mainly in the form of high service levels, but behind the scenes it also motivates buyers to keep in touch with the marketplace. In other — less successful — retail companies buyers sometimes seem to operate in a vacuum.

The driving force behind the partnership system was Spedan Lewis, son of the founder, John Lewis, who established the first store in 1864. Spedan's great belief in worker participation was born, so the story goes, when he realised that the income drawn by his father, brother, and himself from the business in the early 1900s was more than that paid to the rest of the staff in total.

His chance to put ideas into practice came when, in 1914, he was given the opportunity to run the loss-making Peter Jones department store in London's Sloane Square. Spedan promptly told staff that if and when the store became profitable, they would have a share of those profits. He followed this up with a number of other innovations designed to improve working conditions and internal communications.

By 1920 Peter Jones was making a profit of £20,000—distributed to staff as an extra seven weeks' pay.

On his father's death in 1928, Spedan Lewis became the sole owner of the company and decided to carry his principles a significant step further. In broad terms, he sold his rights to the company to the present and future workers, but left the money due to him (about £1m) in the business as a long-term interest free loan. The partnership ideas developed at Peter Jones were then implemented in the Oxford Street store, and in the food shops acquired in the 1930s and 1940s (including a small grocery chain owned by a Mr Waite and a Mr Rose) until, in 1950, the Partnership constitution was re-defined and regulated.

The basic aim of the Partnership is "to give all its members the excitement of sharing as far as they possibly can in the advantage of ownership — in profit, knowledge, and power which form the essential basis upon which real happiness at work must be built."

The organisational structure of the Partnership is threefold:

● The chairman of the Partnership, responsible for the executive management on a day-to-day basis;

● The central council, which is mainly elected by the staff and represents all ranks and occupations in the group;

● The central board, comprising 12 directors of which five are nominated by the central council.

In practice this structure gives most power to the chairman, but a mechanism exists for the central council to replace him "if he does not exercise his power in a proper and acceptable manner."

The principle governing this system is to give the greatest measure of democracy that remains compatible with the central control needed to run a stores chain. The Partnership emphasises that such democracy "lies in the accountability of the management to the managed." Management is given full scope to be effective, but the system provides for it to operate "in accordance with democratic principles with due regard to the rights of all concerned."

Like any such political system, it can be rather bureaucratic at times, even though by no means all its members play an active part. Yet most employees appear satisfied with the system. There is virtually no trade union organisation inside the company —although management is not opposed to union recognition where the staff want it—and the rate of staff turnover is significantly lower than the traditional high rates for the retailing industry.

Until yesterday the sternest test of this system was likely to have come from the pressure on management to open on a Sunday in line with other retailers. But now this threat has been lifted, John Lewis's emphasis on "traditional values" looks likely to have a clear run.

How to confront a crisis

A DEEPLY gloomy document set the scene for pay negotiations now under way in the American steel industry.

A 76-page consultancy report called Confronting the Crisis warned that the future was not bright. Its authors foresaw "no reasonable economic scenario which would allow steelworker employment to return to the levels of the late 1970s." The steel union might even have to concede pay cuts.

Remarkably the report was commissioned by the union side. Locker/Albrecht, a New York consulting group, was asked by the United Steelworkers of America to help the union devise strategies for the negotiations. The resulting document would be unthinkable in Britain.

It is not the depth of research which would be unprecedented for British unions. Comprehensive research documents, drawing on outside expertise, are regularly prepared by British unions to help advance a pay claim or resist a closure. The Iron and Steel Trades Confederation, the largest British steel union, issued such a report, the 179-page New Deal for Steel, at the height of the British steel crisis in 1980.

The distinctiveness of the American report is twofold. First, similar exercises by British unions regularly talk up an industry. They show that *prospects are much brighter* than generally realised, thus laying the foundation for a substantial pay claim or a campaign to save jobs.

True, the Locker/Albrecht report contains as a central feature an argument familiar to British unions — that changed Government policy would transform the industry's prospects. The American report calls on the Reagan Administration to restrict indirect imports, to launch a public investment programme and to tighten up the voluntary restraint agreements on direct imports.

But these demands on Government are complemented by suggestions for the union's own strategy. And this is the second way in which it is impossible to imagine a similar report being prepared for a British union.

The consultants warn the American union that it might have to consider giving back pay rates or benefits previously won. "The union must prepare for the downside by considering concessions for desperate companies." The report carefully explains the economic justification for this suggestion, such as the fall in steel prices since 1982.

Workers at LTV Steel, the second biggest US steel producer, have indeed voted by almost two-to-one to accept deep wage and benefit cuts in their *negotiations this month.*

"Give back" deals have become common in the US, particularly in industries exposed to unusual competitive pressures such as airlines, automobiles and steel. In Britain, there have been a few examples of companies winning worker acceptance of lower pay and worse conditions to save jobs, often in companies with American parents, yet there has been no concerted push by employers for "give backs."

It is arguable that there have in fact been many more "give back" initiatives in Britain than is commonly realised, but they have been obscured by the failure to see them as a common trend and dignify them with a common jargon, as has happened in the US.

For example, contracting out of public services has regularly resulted in workers buying back their jobs at the price of greatly reduced terms. Printworkers and journalists are now having to follow suit in Fleet Street. *Seafarers have been* under similar pressure as shipping companies have cut costs by flagging out, or registering under new nationalities.

What has been lacking in Britain is the sense that willingness to make concessions can give unions "a significant amount of leverage," as the Locker/Albrecht report puts it.

In return for the recent concessions at LTV, the union won a right to a share in future profits, plus the right to be represented in negotiations on the sale of any plant in the group.

The whole thrust of the Locker/Albrecht report is that willingness to make concessions will give the union the bargaining power and the moral authority to demand commensurate concessions from the other players in the game—steel companies, banks and Government.

David Thomas

BASE LENDING RATES

ABN Bank	11 %	Grindlays Bank	‡11 %
Allied Dunbar & Co.	11 %	■ Guinness Mahon	11 %
Allied Irish Bank	11 %	■ Hambros Bank	11 %
American Express Bk.	11 %	Heritable & Gen. Trust	11 %
Amro Bank	11 %	■ Hill Samuel	§11 %
Henry Ansbacher	11 %	C. Hoare & Co.	11 %
Associates Cap. Corp.	11 %	Hongkong & Shanghai	11 %
Banco de Bilbao	11 %	Johnson Matthey Bkrs.	11 %
Bank Hapoalim	11 %	Knowsley & Co. Ltd.	11½%
Bank Leumi (UK)	11 %	Lloyds Bank	11 %
Bank Credit & Comm.	11 %	Edward Manson & Co.	12 %
Bank of Cyprus	11 %	Meghraj & Sons Ltd.	11 %
Bank of Ireland	*11 %*	*Midland Bank*	*11 %*
Bank of India	11 %	■ Morgan Grenfell	11 %
Bank of Scotland	11 %	Mount Credit Corp Ltd	11 %
Banque Belge Ltd.	11 %	National Bk. of Kuwait	11 %
Barclays Bank	11 %	National Girobank	11 %
Beneficial Trust Ltd.	12½%	National Westminster	11 %
Brit. Bank of Mid. East	11 %	Northern Bank Ltd.	11 %
■ Brown Shipley	11 %	Norwich Gen. Trust	11 %
CL Bank Nederland	11 %	Peoples Trust	12 %
Canada Permanent	11 %	PK Finans. Intl. (UK)	12½%
Cayzer Ltd.	11 %	Provincial Trust Ltd.	12½%
Cedar Holdings	12 %	R. Raphael & Sons	11 %
■ Charterhouse Japhet	11 %	Roxburghe Guarantee	12 %
Citibank NA	11 %	Royal Bank of Scotland	11 %
Citibank Savings	¶11.95%	Royal Trust Co. Canada	11 %
City Merchants Bank	11 %	Standard Chartered	11 %
Clydesdale Bank	11 %	Trustee Savings Bank	11 %
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11 %
Comm. Bk. N. East	11 %	United Mizrahi Bank	11 %
Consolidated Credits	11½%	Westpac Banking Corp.	11 %
Continental Trust Ltd.	11 %	Whiteaway Laidlaw	11½%
Co-operative Bank	*11 %	Yorkshire Bank	11
The Cyprus Popular Bk	11 %		
Duncan Lawrie	11 %		
E. T. Trust	12½%		
Exeter Trust Ltd.	11½%		
Financial & Gen. Sec.	11 %		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	11 %		
Robert Fraser & Ptrs.	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.03%. 1-month 7.38%. Top Tier—£25,000+ at 3 months notice 10.36%. At call when £10,000+ remains deposited
‡ Call deposits £1,000 and over 7½% gross.
¶ Mortgage base rate
§ Demand dep. 7.02%. Mortgage 12.25%.

هكذا من الأصل

Television/Antony Thorncroft

Soap on a philosophical level

Well, now we know. It was not, as legend has it, Kenneth Tynan and Harold Hobson who catapulted John Osborne and "Look Back in Anger" to fame 30 years ago. Their enthusiastic reviews failed to fill the Royal Court Theatre. It took a follow up report on the old "Tonight" programme to make theatrical history. As usual the press creates, and television, feeding off it, communicates.

This was one of the few interesting facts which emerged from *Bookmark*, the monthly literary magazine discreetly hosted by Ian Hamilton. It was a good idea to chase up Osborne and that other "Angry Young Man" Colin Wilson and get them to view from the comfortable security of middle age their transformation from obscurity to notoriety.

... so many questions went unasked. Wilson, like Byron, ... woke up famous after ... reviews in the ... Sundays for "The Outsider." Apparently the phone just rang and rang, although as he was living in a tent on Hampstead Heath at the time he must have enjoyed ... hearing. Something of a ..., he cheerfully unearthed his old sleeping bag and returned to the tree remarkably unchanged in his views: he still thinks he is the greatest English writer of the century.

We saw Wilson in his Cornish retreat being very nice to two dogs, but what happened to Joy, the companion of his youth and for whose sake he was horse whipped by her incensed father (surely the last horse whipping in England)? And why not bring Osborne and Wilson together to criticise each other's work? Osborne came across as a very genial fellow, making out that his corruscating attacks on British society in his first play derived from his ingrained patriotism. *Bookmark* tantalised rather than satisfied.

"Look Back In Anger" was two years too soon for *Monitor* which started in 1958. On Friday *Omnibus* did what the BBC is so primed up to do, deliver a eulogy on a departed shipmate, in this case Huw Wheldon. It was television at *its cosiest. Fortunately* Wheldon

Brookside's Grant family

was a character so there were opportunities for wry stories. I particularly liked Wheldon, not quite able to shake off his Welsh chapel background, accusing Lawrence Durrell of *writing bawdy, only to be put* in his place by that Mediterranean hedonist with talk of Chinese philosophical comedians quite unknown to Wheldon. But then Durrell was justifiably miffed: with typical *Monitor* artiness he was being interviewed at the top of Nimes amphitheatre and he suffered badly from vertigo.

Like *Bookmark* this *Omnibus* benefited hugely from scraps from the BBC archive. Although an obvious elitist Wheldon was canny enough to let the likes of Ken Russell, now coming across as a *particularly* naughty choir boy, lead him down populist paths, in particular with a programme about the first British "pop art" painters which opened with a photo of Marilyn Monroe before zooming down to Wheldon's Mr Punch phizz. However, he remained sublimely *ignorant* of the fact that the glimpse of a nude Russell incorporated in the film was Brigitte Bardot.

Despite, or perhaps because of, the grainy black and white reminders of Wheldon's *Omnibus* it seemed a much more weighty programme than today's arts documentaries: it created rather than reflected, and its guests—Henry Moore, Sir Thomas Beecham, Evelyn Waugh, etc—now stride like Titans. It rarely patronised or popularised. It treated artists with respect, almost adoration.

But Wheldon would probably have gone along with the decision of one of his many successful protégées, Melvyn Bragg, to devote Sunday's *South Bank Show* to soap operas. In the last year or so these have become the most obsessive, and *dominant*, feature of popular "culture." If you are unaware of Dirty Den and what he did to Michelle you hardly qualify for British citizenship, and should join Colin Wilson on Hampstead Heath. The popular papers are now more taken up with the on, and off, screen machinations of the characters in *EastEnders* and *Crossroads* than they are with bosoms and Bothams.

It was a pity, then, that Bragg should concentrate on *Brookside*, the "*minority*" soap, which with an audience of around 6m, draws less than a third of the followers of *EastEnders* and *Crossroads*. There were reasons for the choice, mainly loyalty to a non-BBC soap, and the fact that *Brookside* is markedly untypical—it stresses *political* issues, and many of its eight writers are blatantly socialist in their leanings.

But, as Christopher Dunkley pointed out on the programme, because the characters tend to be used as spokespersons for a particular point of view they lack real credibility—they don't develop organically. And, *ironically Brookside*, which is set in Liverpool, totally *ignores* the political crisis, and the recent race riots that have wrecked the city. The excuse, from creator Phil Redmond, was that the five month lead time from writing to screening made topicality difficult. But I also got the impression that *Brookside's inhabitants* are happier dealing with events on a philosophical, rather than on a realistic, level.

The great gaps in what was an eye-opening programme was any conversation with the actors. This was a didactic documentary and much more fun could have been had from exploring the amazing success *of EastEnders and investigating* the impact of stardom, of a most intrusive kind, on the actors involved. Of course, *EastEnders* is a BBC programme but surely it now belongs to everyone.

Its impact has been awesome. It was devised to repair the BBCs dire early evening viewing problem when the *ITV* audience at 8 pm was over double *that of the Corporation*. It got off to a bad start mainly because it *followed the Brookside* path of being too serious *and too concerned with conflict*. It was spiced up: its transmis*sion time was changed*; and last autumn it boosted its audience from 9m to 13m. ITV's early evening viewing advantage over the BBC more than halved. Now over 30m people see *EastEnders* at least once a month. No wonder the popular press has overcome its ingrained hostility to the other medium and cashes in on the behind-the-scenes stories of the "stars."

Voyeurship of a more refined kind was the feature of the week. On Wednesday BBC cameras were allowed, for the first time, into the Ministry of Defence in *MOD* and discovered a man sitting in the dark (he was in the secrets department) and another counting the bumf. Even the new Minister, Mr George Younger, waded through 13 inches of paper a day. The blimpish spokesmen jarred in comparison with the mustard keen squaddies and one wondered whether it was all worth £700 to each of us a year.

For the rest, the British monarchy *was given* a light dusting by German television *(Channel 4 Saturday) while* British television bowled bouncers at King Juan Carlos of Spain and got an impeccable straight bat. Anglia Television, on Tuesday, failed to faze Lord King in a timely look at British Airways, while the accolade for the daftest idea of the week must go to psychologist Nicholas Humphrey who spent weeks on Tahiti, slowly unbuttoning his shirt, in a search for the secret of human consciousness which he quite failed to find. Nothing discouraged this week in *The Inner Eye* he tanned himself in Rwanda. The brains of the production company paying for his joke, and of Channel 4 for screening it, demand deep probing.

Il barbiere di Siviglia/Covent Garden

David Murray

This is the fourth outing in a year for Michael Hampe's *Royal Opera Barbiere*; these things are planned long in advance, and probably Hampe's much-admired versions of *Matrimonio segreto* and *Così* prompted an assumption that he would devise something superlative for Rossini. The result is not so distinguished as that, though it has its bright moments. Perhaps the broad comic effects of the opera (the original Beaumarchais play is much cleverer) resist subtilising; perhaps Hampe's amiable treatment makes too little of the real threat Don Bartolo poses to his unhappy ward, and so loosens the comic tension.

At any rate, we had to be content last night with a *good all-round cast and a conductor*—Alberto Zedda—whose scholarly devotion to Rossini has not given him the magic touch for generating brio, nor the knack for holding ensembles together. Only at rare moments did the score actually sound witty, though it was never dull, and *only in the last half-hour* were singers and orchestra reliably together. Later performances will acquire more polish (as one says again and again about opera runs at both our London houses: rehearsal time seems to be at a premium).

The liveliest contribution to the *evening* is *certainly* Gino Quilico's Figaro. The flashing eyes, teeth and hands suggest a Hairdresser of Seville—perhaps a deliberately mischievous effect — but the singing has plenty of virile energy, and he is personable enough to quicken a much duller production than this one. *He needs only more* virtuoso articulation for the prestissimo at the end of his big aria. In a different key, Domenico Trimarchi repeats his prissily civilised, testy Bartolo, no serious threat to anybody, with pleasingly sour touches.

Gino Quilico and Domenico Trimarchi

In this context, the real access of frustration and grief in Ann Murray's Rosina at crisis-point comes as a slight shock, though it is true to the merry but frail creature she portrays. Her Rosina is most stylishly sung (without any of the insistent vibrato that makes her Almaviva, David Rendall, sounded as if he had much later Italian opera in mind), and she is both fetching and affecting. The new Don Basilio is Robert Lloyd, scruffily stately, less vividly characterised so far than one had expected. Jane Eaglen is again a sturdy, sullen Bertha, making a useful effect with her solo scene. Rendall's staunch Count is short of personality, but efficient and generally pleasant to hear. *Good intentions all round*; a fair success.

Boulez and Henze in New York

Under the title "Boulez Is Back!", the New York Philharmonic presented a small cycle of Boulez events last month. (He has not been here since he resigned the Philharmonic to Zubin Mehta, in 1978). The main event was *Répons*, played in the Columbia University gym by the Ensemble InterContemporain. *Dialogue de l'Ombre double* and *Dérive* were also done. Mehta conducted *Rituel* with the Philharmonic and Boulez the three Mallarmé Improvisations. At another Ensemble concert, Elliott Carter's *Penthode* had its local première. The events crowned an American tour by the Ensemble, during which *Répons* was also played in Los Angeles, San Francisco, Chicago and Boston.

Répons was packed, even uncomfortably so, but there were rows of empty seats at *Penthode*, and there were booers at *Rituel* (so the New York Times reported; I didn't particularly want to hear Mehta conduct it: the memory of Boulez's own performances with the *Philharmonic, in 1977*, is still strong). Critical reception was tepid: the *Times* critic called *Rituel* "Pierre Boulez's hommage to catatonia," and called *Répons* a work in "the familiar Boulez style of composing, with its spasmodic gasps and lurches," which "simply went on and on to no purpose that I could discover."

The works hardly need further review in these pages: but *Répons* has grown from the 20-minute piece that Nicholas Kenyon reviewed in 1981, the 30-minute piece Andrew Clements reviewed in 1982, and the 40-minute one Dominic Gill reviewed in 1984, to a 45-minute work. It was played only once. I know only the first and last of the four versions, and so cannot tell which is the newest episode. But *Répons* has become a much longer and more demanding adventure than it was when it dazzled its first listeners. There were moments during the second part when, in the hot gym, I grew slightly impatient and wanted some new wondrous surprise to flood the hall. It soon did. Further hearings (on tape) revealed a just sense of structure and proportion.

It is a work of sonic marvels and musical mastery—passionate, exuberant, and exhilarating. Since my first encounter with Boulez's music—*Le Marteau sans maître* at the 1958 Aix Festival—he has shaken up an easy, familiar ideas, forced me to refocus, challenged comfortable relations with the music of contemporary composers closer to *my own way* of thinking and hearing. The Second Piano Sonata, *Structures, Le Marteau, Pli selon pli*, and *Rituel* are glittering landmarks—monuments of their time that stand firm, to be excitedly re-explored in each succeeding decade. *Répons* is the latest of the series.

Hans Werner Henze has also been here. "Henze Week" at the Manhattan School of Music brought *a production of The English Cat* and concerts of *guitar* music and orchestral music. In Merkin Hall, the Concord Quartet played String Quartets Nos. 3, 4, and 5 (this was billed as the first performance of the three as a set, but Ronald Crichton reviewed one by the Arditti Quartet eight years ago, and, a little earlier, Speculum Musicae revived *El Cimarrón*. Nearly forty years of Henze's career were traversed from the early (1948) *Apollo and Hyacinth*, in which he began to create and explore his own musical world.

Apollo, at once a miniature harpsichord concerto and a programmatic tone-poem, adumbrated a "hybrid" form Henze has used often: in the cello concerto *Ode to the Westwind*, the Second Violin Concerto, the Second Piano Concerto, *Tristan*, and most recently in *The Miracle of the Rose*, written for the London Sinfonietta and played by them in 1982. The *Miracle* (subtitled "Imaginary Theatre II"; *The King of Harlem* is I) is at once a clarinet concerto, a suite of dances, and a tone-poem whose programme is the vison at the close of Jean Genet's *Miracle de la Rose*: four men in black enter the body of a young murderer on the morn of his execution and explore it as a series of enchanted landscapes, searching for his heart, which they discover *as a wondrous red rose*.

The piece was new here. I didn't know Henze was still composing in this romantic, picturesque vein. Since the Manhattan orchestral concert coincided with the Concord's recital — careless planning somewhere — I heard the last rehearsal of the former. The performance by the *Manhattan students*—Mark Suria, the clarinettist—conducted by *George Manahan, promised well*. The guitar recital was moving: it included both *Royal Winter Music* sonatas; the guitar solos and the guitar-accompanied songs from *Kammermusik 1958*; and the exquisite *Carillon, Recitative, Masque* of 1974.

I can't get to like *The English Cat*. The diary that Henze kept during the years of its genesis and composition *is fascinating*. The score has much delicately wrought music. *The Manhattan* production, produced by Lou *Galterio* and conducted by David Gilbert, was in sharper focus than last year's muzzy Santa Fe presentation. There was some accomplished singing. But Edward Bond's libretto seems to me carelessly wrought and poetically feeble.

Andrew Porter

Big Deal/Broadway Theatre, New York

Frank Lipsius

Bob Fosse seems single-handedly capable of rescuing the American musical. Writer, director and choreographer of the sensational new musical, *Big Deal* at the Broadway, Fosse could not—or at least did not have the time to—write the music. So he picked the memorable songs of the 1930s and refashioned them to fit his production, which combines show-stopping scenes, lovable characters and a story that reaches for the stars.

The creator of *Cabaret*, Fosse uses his varied talents in quick-paced scenes that tumble out on top of each other to get the plot going. Based on the 1958 Marcello Mastroianni film, *Big Deal on Madonna Street*, the story follows a gang of petty crooks trying to pull a big heist. Fosse changes the setting to Chicago in the 1930s with Clevant Derricks as Charley, the mastermind of a ragbag crew of black hoods.

First as writer, Fosse (whose last Broadway excursion eight years ago was *Dancin'* with no plot at all) orchestrates a complicated manoeuvre to show that Charley could not even think up the heist himself. He cadges it from Kokomo, a savvier criminal who has two years to spend in the pen and thinks Charley will be in even longer. Not 10 minutes into the performance, Fosse the choreographer interrupts the plot for the first show-stopping number, danced to an ironically-slow rendition of "Ain't We Got Fun" by inmates who rattle their chains in the chorus before the word "fun."

As director, Fosse has some memorable business for each scene. Charley, for instance, hooks up with his old gang in the balcony of the Gem cinema, where he thinks he is romancing his old girlfriend and finds that the rest of the gang put her up to it to get at him. With Kokomo's scheme in hand, Charley becomes the new boss standing over the cinema urinals (facing the audience) with the confident assertion that he will scientifically lead the group to riches.

Unlike *42nd Street*, where familiar tunes are belted out with a verve to compensate for familiarity, *Big Deal* gives syncopatic renditions. Two songs are notable for conventional but dazzling performances: Miss Devine (as Charley's girlfriend) belts out "I'm Just Wild About Harry," with a voice steeped in compelling Motown-style rhythms, and "Beat Me Daddy Eight to the Bar" is made a ballroom number with driving cross-stage choreography as the stunning and pulsating first-act climax.

The strong ensemble scenes in the first act slow down in the second to a dreamy indulgence of the crooks' fantasies. They have already been well defined as little Otis (Alde Lewis Jnr) the butt of jokes, Slick (Valarie Pettiford) protecting his sister, Willie (Alan Weeks) carrying around his infant son while his wife works, and Bunnyboy (Mel Johnson Jnr) the smiling youngster. Each has his reason for joining the heist; each gets a song to describe his dream with a scene reminding the audience of where the production's slim budget went, especially a church wedding for Slick's sister to accompany "Happy Days Are Here Again."

While Fosse pieces together disparate elements, his collaborators realise the overriding theme with a flexible, two-tiered set by Peter Larkin, exquisite costumes by Patricia Zipprodt, mood-creating lighting by Jules Fisher and orchestrations by Ralph Burns that mesh trumpets with synthesizers to make the 30s come alive as contemporary music. If this is not remarkable enough, Bob Fosse has another opening this month, a revival of his own 1966 musical, *Sweet Charity*. It will have its work cut out to match the dazzling *Big Deal*.

Kyoko Kimura/Purcell Room

Dominic Gill

The Japanese violinist Kyoko Kimura has the poise, confidence and technical command typical of a graduate of the Toho Gakuen school in Tokyo (five years ago she won a special medal at the Carl Flesch Competition in London, and a colleague praised her "illuminating music-making" on this page).

She is a splendid young violinist; but now that the first flush of success, and the competition years, are over she could probably do with a long, quiet time of careful stock-taking and some deeper musical reflection—for the talent is still mainly in the fingers, and on many deeper levels the interpretative grasp is still surprisingly unsure. In her wide-ranging recital programme on Monday we heard tranquil Schubert, roseate, full-bodied Brahms, brilliant Sarasate and incisive Bartok—but in each case the single adjective almost sums up the performance as if by creating each one in a single dimension she hoped thereby to keep it more firmly in her grasp.

Her account of Bartok's sonata for solo violin vividly illustrated the virtues and shortcomings of such an approach. The notes were by and large remarkably well placed, and the intonation was beautifully secure — but the emotional restraint of the delivery (chiefly a matter of phrasing, tempo and emphasis) meant that much of the essential Bartókian rhetoric was passed over or nullified. In a single dimension, the performance—especially in the Fuga and finale—was a worthy tour de force. But I wonder if Miss Kimura has ever listened, for example, to the extraordinary recording which Ivry Gitlis made nearly a quarter of a decade ago of the same sonata—and if in that fierce, wild lyricism she might not find glimmerings of a direction she could now be exploring herself?

Guide to music in London

The *Virgin guide* to music, opera and dance in London, a free fortnightly listings magazine, has just been released. It is the musical world's answer to the established West End Theatre Guide. Sponsored by Virgin and published by Rhinegold Publishing, it lists all the main musical events in the capital under daily headings. *It will be available in hotels*, tourist bureaux and Virgin record stores.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

April 11-17

NEW YORK

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Philadelphia Story (Arena): Ellinor Renfield, who last directed Peter Nichols's Passion Play here, takes on the Philip Barry American classic about a headstrong debutante whose society wedding draws the press to gawk. (488 3300).

LONDON

The Scarlet Pimpernel (Her Majesty's): Donald Sinden in resplendent plummy-voiced form as Baroness Orczy's one-man resistance movement to the French Revolution. Opera director Nicholas Hytner's efficient and sparkish production has smoke, tumbrils, rat stew and rolling heads. (930 4025).

As You Like It (Barbican): Much improved since last year's Stratford-upon-Avon season, Adrian Noble's loosely Edwardian production now emerges as a secret-garden adventure where Rosalind (Juliet Stevenson) has the sisterly devotion of Celia (Fiona Shaw) threatened by Orlando (Hilton McRae). A superb Jacques from Alan Rickman. The RSC Barbican repertoire also includes a fine Othello with Ben Kingsley and, in The Pit, Christopher Hampton's absolutely breathtaking, unmissable version of Les Liaisons Dangereuses (628 8795).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey, Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 6834)

CHICAGO

Happy Days (Goodman): The Goodman company celebrates Samuel Beckett's 80th birthday with the playwright's bleak view of the world, interpreted by the Romanian-born director, Andrei Belgrader. Ends May 11. (443 3800)

Saleroom/Antony Thorncroft

Books, in profusion

Sotheby's held an important sale of books in Monaco on Monday and brought in £259,674, with a high 27 per unsold, mainly because Voltaire seems to be out of fashion. However a US private collector paid £40,108 for an edition of the works of Pierre and Thomas Corneille carrying the arms of the Emperor Napoleon himself.

A Parisian dealer paid £30,081 for a ghoulish book, with plates of parts of the body exposed to anatomical observation, "Myologie complete," mid-18th century, by Jacques Gautier D'Agoty. Coming up to date "La rivière enchantée," with illustrations by Foujita, sold for £11,351, and "Le bal du Conte d'Orgel," with illustrations by Cocteau, for £7,520.

A second edition, dated 1653, of John Bulwer's "Man Transformed: or the Artificial Changling Historically presented" sold for £1,078 at Sotheby's book auction in London yesterday. Quaritch, the London dealer, paid £935 for a first edition of Merimée's "Carmen."

However the top prices came at the end of the morning session, when a collection of books on the occult, owned by the late R. F. B. MacKay, far exceeded forecasts. A first edition of 1487, containing the text of Pope Innocent VIII's bull against heresy in "Malleus Maleficarum," probably printed in Mainz, sold for £9,900, as against a £5,000 top estimate. "Theatrum diabolorum," of 1587, made £3,520, as against a £500 top estimate, and "Formicarius" by Johann Nider, Augsburg around 1484, more than quadrupled its forecast at £2,750.

Sotheby's always does very well with its auctions of lesser Old Master drawings. It holds two sales a year and the room is packed with private buyers well aware that they can acquire for a few hundred pounds an Old Master drawing which will greatly enhance a modern room.

Monday's auction went as expected, with a total of £173.22 and only 6 per cent unsold. The top price was the £5,830 paid by a private buyer for a Tintoretto sketch, on both sides of the paper, which was inspired by Michelangelo's "Samson slaying the Philistines." Sotheby's had placed a £500-£700 estimate on the lot because of its poor condition but its state did not deter two rival bidders for this page by a great name.

A Mother and Child, and other figures, which could be by either of the Carracci brothers was on target at £3,520, while the Rijksmuseum in Amsterdam paid £1,265 for a group of three rural scenes by Jean-Baptiste Lallemand which Lord Elgin had acquired in Italy in 1799 on his journey to the East.

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Wednesday April 16 1986

A trail of damage

YESTERDAY'S bombing of Libyan targets by US aircraft was futile, deplorable and almost certainly counter-productive: not merely is it unlikely to halt Libyan-sponsored terrorism, it will leave in its wake *significant political damage both* to the US and to the UK. The British Government, by its unqualified public support for the US action, has compromised its position in ways which are logically and politically untenable. Since there must now be increased danger that terrorist groups sponsored by Libya and other rogue states will intensify their attacks on innocent targets in the West, it is doubly urgent that governments should step up their non-military efforts, through consultation and co-operation, to make the terrorists' life much more difficult. Quite obviously, the half-hearted measures reluctantly adopted by the European Community foreign ministers on Monday do not go far enough.

The urge to respond in kind *to terrorism, to answer violence* with violence, is understandable enough, but none of the explanations offered in Washington or echoed in London justifies the US in this kind of military action. American bombs, launched at dead of night, could never have been expected to take out only the guilty and leave the innocent unscathed. Even if targets associated with *terrorism have been hit*, there is no reason to suppose this will halt Libyan terrorism; the reverse is more likely.

Punitive attack

America's European allies, meanwhile, have been left looking disunited, ineffective and foolish. Last week's statements out of Washington, and the mobilisation of American carrier groups in the Mediterranean, gave unmistakable pointers to the Administration's growing determination to make a punitive attack on Libya; the European governments can have been left with little doubt of that determination, as a result of the visits of special American envoys. But it is not a reassuring testimony to the *force of the trans-Atlantic consultation process*, that the 12 foreign ministers should have been laboriously hammering out an appeal for restraint on all sides, at a time when the American bombers were already in the air.

Mrs Thatcher's decision to assent to the use of US air bases in Britain is hard to justify, but it was bound to be a difficult choice. *In principle*, the use of these bases should be a matter of joint decision, according to a long-standing but unpublished agreement, and in the long run the bases could not survive without a common policy approach by the two governments. On any particular issue, *however, it would be very hard* for the UK to stand up to great pressure from the US superpower; for the British government to attempt to impose a veto—for example, on the grounds that the F111s are in Britain for Nato's security, and not for out-of-area operations—might risk setting up major frictions between two allies, out of all proportion with the stakes. Nevertheless, Mrs Thatcher was wrong to give in to US pressure on this occasion. She has chosen to preserve the facade of a common policy approach, by endorsing the US attack virtually wtihout qualification, but only at the cost of reversing the UK's known policy on combating terrorism.

Military reprisal

The British Government has never believed terrorism can be defeated by military attacks, and it does not believe it now. This is not its strategy for dealing with the IRA, nor has this been its strategy for dealing with any other kind of terrorism. Yesterday, Sir Geoffrey Howe said the US attack was not only justifiable, but it was "essential." *The implication is* that, after some future Libyan terrorist attack, the UK will now be almost committed to endorse a further military reprisal, provided it is dressed up in the dubious cloak of self-defence. For the sake of US-UK solidarity, Mrs Thatcher has manoeuvred herself into a wholly irrational position on an issue — terrorism — where the British Government has a great deal of experience.

Tighter security

What is now required is much more energetic non-military measures to detect and frustrate the efforts of terrorists, with more shared intelligence and police-work, stricter visa *controls, tighter airport* security, and the like. To be fair, it was Sir Geoffrey Howe who was pressing hardest in this direction at Monday's European Community meeting, and some of the other members states who were dragging their feet. If the US bombing raid is more likely to provoke than to deter terrorist attempts, as seems likely, it is now even more *urgent that Britain's European* partners should change tack.

A question of credibility

MRS THATCHER had a relatively comfortable time when she made her initial statement on the Libyan affair in the House of Commons yesterday afternoon, if only because MPs were still too stunned by the event and unaware of the details to ask probing questions. A much bigger test comes today when there will be a full-scale debate.

Both the Prime Minister and Sir Geoffrey Howe, the Foreign Secretary, are under some obligation to perform well not just because there is a lot of explaining to be done, but because the Government's authority at present is not all it might be.

Rather overshadowed by the news from the Mediterranean was the fact that in the early hours of Tuesday morning the Government lost its Shops Bill in what must be its most humiliating defeat since Mrs Thatcher came to office in 1979.

Heavily amended

It may be argued that discretion is the better part of valour and that, given the strength of feeling in the House against the Bill, it was wiser to give way at once rather than to seek to push through a measure that would have taken an inordinate amount of Parliamentary time, would have continued to arouse opposition and would probably have ended up heavily amended. It was a setback to the Government's authority, none the less.

Backed down

The Bill had gone through the House of Lords without being substantially changed. Several senior ministers saw it as an ideal combination of the present Tory virtues of tidying up the existing law, abolishing excessive regulations and offering greater freedom of choice. A few weeks ago they were predicting that it would turn out to be extremely popular when implemented. Now it has been sunk without trace.

No government, however large its nominal Parliamentary majority, can go on like this for long without losing credibility. It is not as if it was an isolated event. Within the last few months Mrs Thatcher's administration has lost two cabinet ministers because of the Westland affair, then backed down in the face of internal party pressure over its proposals for the future of British Leyland. It is beginning to look as if there is a pattern: if sufficient people shout loudly enough, the Government can be deflected from its course. Such patterns can become self-perpetuating.

With hindsight it can be seen that many of the troubles go back to Westland and perhaps even to the Cabinet reshuffle last September when Mr Leon Brittan was moved from the Home Office to the Department of Trade and Industry. It was a panic move during a period of some political unpopularity. The Government as a whole has not functioned smoothly since. During the Westland affair relations between some ministers broke down altogether with Mrs Thatcher remaining mysteriously aloof from the fray.

Accident-prone

There is no reason why the Government should not recover; its performance in the Fulham by-election last week was not at all bad for mid-term. Yet there is a way in which setbacks can become cumulative and administrations accident-prone or perhaps just tired. It happened to Harold Macmillan's in the early 1960s. It could be happening to Mrs Thatcher's.

It is, after all, an odd charge to make that she is indecisive and ready to give way to pressure groups like the shop-workers union, the churches and the people who want to keep Leyland British at almost any cost. Yet that is the evidence of the last few months. There are difficult by-elections and local elections to come. Has the Government lost its nerve?

THE US ATTACK ON LIBYA

Europe left straddling the chasm

Roger Matthews looks at the wider impact of the US military action and assesses the likely response of the rest of the Arab world.

THE HUGE chasm which separates American and Arab perceptions of the Middle East was never better illustrated than by the bombs which fell on Tripoli and Benghazi in the early hours of *yesterday morning*. In the five years of President Reagan's Administration this gap has widened from a failure to appreciate opposing points of view to outright military action.

The Western European nations have been left attempting vainly to straddle that divide. Britain, by its willingness to allow US bases to be used as a vital element in the attack on Libya, will be perceived in much of the Arab world as having swung, at least on this occasion, towards the US view of the region. There will have been few British Ambassadors in the Middle East yesterday morning who were not silently grinding their teeth.

Having enjoyed and benefited from the trip to the Middle East last autumn by Mrs Margaret Thatcher, the Prime Minister, during which she announced a provisional willingness to become more involved in regional peace moves, they now face the prospect of becoming closely associated with punitive American action in which Arab civilians were killed.

It is this last fact, perhaps more than any other, that will cause distress and anger among Arab allies of the US. There has not been for many years much Arab affection for Col Gadaffi. On the contrary he has been a thorn in the sides of many countries with his message of international revolution and willingness to sponsor radical groups, some of which rely on violence to spread their message.

Col Gadaffi has rarely turned up at Arab summit meetings, has been contemptuous of attempts to secure Arab consensus, and scarcely ever abided by his commitments to use his oil wealth to assist less fortunate Arab countries.

Yet events and the evolution of US attitudes to the region, have conspired to allow Col Gadaffi to appear increasingly as one of the few remaining champions of old-fashioned Nasserite Arab nationalism. The lingering Arab attachment to this dream has become increasingly frustrated as President Jimmy Carter's intellectual commitment to securing a broad-based settlement of the Arab-Israel *conflict has given way to* President Reagan's desire to create a buffer to Soviet expansionism in the Middle East.

For the last three years of Mr Carter's Administration there was the hope, however distant, that apart from a peace treaty between Egypt and Israel, it would secure the foundations for a settlement of the Palestinian issue. President Anwar Sadat repeated endlessly that the US Administration held, 95 per cent of the cards and many Arabs believed him. At the least, they accepted that the US had a central role to play in persuading Israel eventually to allow Palestinians living under occupation the right to self-determination.

The contention of Arab leaders, such as Col Gadaffi and President Hafez al-Assad of Syria, that the US had no intention of exercising any real form of pressure on Israel,

Attempts to create political change through external military action have rarely proved successful

appeared to gain credibility when in the early days of his Administration Mr Reagan let it be known that his principal concern in the Middle East was not the Palestinian issue.

Instead Mr Reagan wanted to form a "strategic consensus" against the Soviet Union as part of which Arab countries would provide bases and other facilities for American military personnel and equipment. Most Arab leaders in the Gulf were horrified at the prospect, but it provided further grist to the Gadaffi propaganda mill, which was directed as much at those conservative monarchies as it was the US.

From there it has been downhill all the way for the Libyan leader. The US did nothing to forestall the Israeli invasion of Lebanon — another Gadaffi propaganda coup — and radical Arab nations were jubilant when the US became militarily involved in Lebanon and saw more than 250 marines die in a car bomb attack.

President Reagan's Middle East peace initiative, announced on September 1, 1982, had provided a momentary gleam of hope for those advocating negotiated solutions to the region's problems but it soon became clear that the peace initiative would be pursued enthusiastically only by King Hussein of Jordan, with some support from President Mubarak of Egypt.

The European Community's involvement rested on its Venice Declaration of June 1980, which of all the non-Soviet peace proposals had received the most sympathetic reaction from Arab countries. It accepted a role for the Palestine Liberation Organisation and in March 1984 was expanded to include the principle of "self-determination" for the Palestinians—in other words a Palestinian state.

This was 1m miles from the US view, which ruled out both contact with the PLO and even more emphatically the creation of a Palestinian state.

The American stance has lent reluctant credibility among Arab governments to the Libyan and Syrian argument that Washington is incapable of pursuing a balanced policy. They point to the ever-growing amount of aid the US pours into Israel — $3.5bn last year — and the extent to which this has allowed the Jewish state to undertake adventures such as the invasion of Lebanon, the bombing of a nuclear installation in Baghdad and the attack last year on the PLO headquarters in Tunis.

Apparent American willingness to tolerate thousands of Lebanese and Palestinian dead at Israel's hand in Lebanon, and dozens more in Tunis and Baghdad, is then contrasted with President Reagan's reaction to one of his own people dying in a terrorist attack.

Terrorism is in principle condemned by most Arab states, but put within the context of what they see as far greater and more fundamental wrongs, it becomes more explicable. Thus when acts of terrorism do occur, governments which carry in their mind a broader picture, tend to find themselves in a quandary, at least at an operational level.

This has become more obvious, in both a European and Arab context, as the US has sought more actively to pursue the perpetrators of terrorism. The hijacking of the Italian cruise liner, the Achille Lauro, last autumn provided a good example. The Egyptian government believed it had performed a valuable role in bringing the episode to a close. It was then embarrassed and humiliated when US warplanes forced down an Egyptian flight carrying the terrorists to what Cairo claimed was a trial at the hands of the PLO leadership.

Today, however, there is no such justification. For Western European and Arab governments alike there is the more stark choice of deciding whether they support military action as a justified response to terrorism.

Arab governments, many of whom suffer far more from terrorism than the US, are almost unanimous in their answer and will be watching closely to see who agrees with them, particularly in Europe. Those most acutely affected are inevitably the Arab governments with the closest ties to Washington.

It has never been easy for *them to justify publicly the* apparent contradiction of close political co-operation with the one government which is perceived as hostile to a just solution of the Palestinian issue. When that one government launches a military attack on another Arab country, the task becomes impossible.

While the monarchies of the Gulf with their relatively small and unpoliticised populations may try to pretend nothing has happened, there is no such option for countries such as Egypt and Jordan. President Mubarak rejected US suggestions that the Egyptian armed forces should be used against Col Gadaffi and argued forcibly against military action. But with an economic crisis looming as a result of the collapse in oil prices, he cannot afford to alienate the US Congress because of the $2.3bn a year in aid his government receives from Washington.

What he must know and fear, is the stimulant the American attack on Libya will have on opposition forces within the country which are advocating a return to policies of President Nasser, the attractions of Islamic fundamentalism, or at the very least the election of a leader who will again allow Egypt's voice to be heard with respect.

There will be different fears in Syria, which likes to present itself as the most credible standard bearer of the Arab cause. The Damascus government knows better than anyone the contribution which it makes towards the funding and military training of radical *Arab factions*. More than that it is proud of its achievements and must accept, at least privately, that the arguments the US has employed to justify its attack on Libya could equally be used to explain an attack on Syria.

In Syria's case, however, the Soviet umbrella, both military and diplomatic, provides far stronger deterrent to direct American action than the much more limited Soviet presence in Libya. It is also far less of a bulwark against Israeli intervention and Syria knows all too well that within the military and political establishment in Israel there is a vocal body which favours a pre-emptive strike.

To be set against that is the *American and Israeli belief that* punitive action against Col Gadaffi will act as a deterrent to others and promote internal dissent, especially among the armed forces, which could lead to a coup in Libya. They also appear to believe that while the majority of Arab governments may indulge in a little anti-American rhetoric they will be privately applauding the blow against the Libyan leader.

There is little in modern Middle East history to support such optimism. Attempts to create political change through external military action have rarely proved successful. There are no direct parallels between Lebanon and Libya. But as the most bombed and mutilated country in the Middle East, where repeated attempts at political reconstruction have been made by force rather than persuasion, Lebanon remains testament to the futility of such action.

It is even more difficult for Arab countries to accept the case for military action when it is being carried out by a power from outside the region. The history of colonialism in the Middle East surfaces regularly in Arab political discussions, particularly the British contribution to the creation of the state of Israel and the critical US role in its subsequent development.

These scars have never completely healed, especially as Britain, with its long and sometimes emotional relationship with the region, has retained a particular place in Arab sentiment.

When Mrs Thatcher said last autumn the government would receive two members of the PLO executive in London, the pleasure in the Arab world was far greater than might objectively have been expected. The fear now must be that the pendulum will swing back with greater speed and that any worsening of military conflict in the region will further limit British and European capacity to play a conciliatory role in the world's most explosive region.

Men and Matters

The view from down-under

David Asimus is back in Melbourne after a quick visit to Ilkley, Yorkshire, where he let loose some pungent words on the EEC's agricultural policy.

"Madness" was one of his milder choices. "The EEC is producing all sorts of surpluses and then dumping them on the world."

"The common agricultural *policy is costing Australian* farmers A$1bn a year. And everyone in the southern hemisphere is being hit."

Australians are used to forthright words from this 6ft 6in wool grower. As chairman of the Australian Wool Corporation for the past seven years, he has been the most powerful man in the world wool producing trade.

He was in Britain wearing his other hat as chairman of the International Wool Secretariat, the marketing arm for wool producing countries such as Australia, New Zealand, South Africa, and Uruguay, who pay IWS dues.

"You in Britain, France, the US, and Latin America, who have not yet joined, get a free ride on the back of the rest of the world's woolgrowers" was one of his strictures.

Soon the Asimus gale will blow out. He threatens to resign in 1988, when he will be 56, at the end of his second term of office, to return to the simple pleasures of his sheep station in New South Wales.

Country style

Nick Raynsford, Labour victor of the Fulham by-election already has a special label from some cynical onlookers. They are calling him a Frumpie—a formerly radical upwardly mobile professional.

He is but another victim of a labelling craze which is sweeping US society, leaving hardly a social grouping unscathed.

In the 1960s we had the Hippies. They were followed by the Yippies. Then, recently, came the Yuppies—those young, upwardly mobile professionals.

Norman Gambill, a historian at South Dakota state university now claims to have found the Rumpies—the rural upwardly mobile professionals.

Whereas Yuppies patronise trendy shops, Rumpies buy their chic merchandise through catalogues and mail order. Yuppies like ethnic cooking. Rumpies eat red meat. Rumpies still look at the label to see if something was made in the US.

Finally, Rumpies take their holidays in the big cities, while the Yuppies flee to the countryside.

Gambill reckons the only point of contact between the two cultures is that fleeting moment when they pass, going in opposite directions, on the interstate freeways.

"So, if the Bishop suddenly arrives on Sunday—I'll have to drive to Scotland for extra sprouts."

Calder Fellow

"It's looking in better shape than I am," asserts Dr Tom Marsham, just returned from a visit to Calder Hall, Britain's first nuclear power station, and the first in the world to produce substantial amounts of power.

Marsham has just been elected a fellow of the Royal Society, Britain's premier learned society, for his "sustained contribution to the development of civil nuclear power stations."

He was, in fact, one of the "men of Calder" who commissioned the station in just two years and 10 months from a green field site to electricity.

Calder is 30 years old this year. Marsham is now 62.

At a time when nuclear power in Britain is under fire from several quarters, Marsham says he is delighted that many top scientists praise the scientific base of nuclear engineering in Britain.

A Cumbrian from a seafaring family that traces its roots to the Vikings, the burly Marsham played an annual game of rugby until two years ago. "And I'm still available," he boasts.

He also runs the northern division of the UK Atomic *Energy Authority with some* 5,000 staff, specialising in the fast reactor programme.

Team goal

Bowthorpe Holdings began life in 1936 in a basement off High Holborn, London. Armed with a *£2,000 loan and the slogan* "Up the pole," it sold overhead wire equipment to the rapidly growing network of electricity undertakings.

Now transformed into a multinational defence supplier — with 40 operating companies in 14 countries and 3,300 employees — Bowthorpe yesterday marked its golden jubilee year with record profits of £20m.

Chairman, Ray Parsons, was the company's first employee. He joined the founder, his brother-in-law, Jack Bowthorpe, in the Holborn basement just one week after the company's formation.

The two men played in a church football team at the time, appropriately assuming *the roles of captain and secretary*, and many of their early employees joined the team as well.

But Parsons is the only member of the team to have survived with the company to celebrate its 50th anniversary. "It was the team spirit of the football field that characterised Bowthorpe in the early days," he says, "and I have done my best to make sure it stays that way today."

Rich plot

Mrs Thatcher's dream of Britain as a share-owning democracy may be closer than we thought.

The Share Book, which tells people how to go about buying shares, as well as explaining the investment sums, is currently number 13 in the W. H. Smith list of best-selling titles.

Written by Rosemary Burr, formerly of the FT, the book is intended to give both new shareholders and regular investors information, advice and guidance.

It has been on the Smith best-seller list for five weeks now and Burr attaches no anxiety to its current rating. "13 is my lucky number, actually."

Way to go

From a Norfolk parish magazine: "*The concert will* conclude with a performance of Church Cantata No 125—In Peace and Joy Shall I Depart with Miss . . . (contralto).

Observer

هكذا من الأجل

SECTION III

FINANCIAL TIMES SURVEY

INSURANCE
AND INSURANCE BROKING

Insurance brokers are facing one of their most challenging times as they grapple with difficult areas of business. Nevertheless, there are signs that a recovery in the insurance cycle is under way.

Reducing the risks

By JOHN MOORE, City Correspondent

AFTER A recession which has lasted since the late 1970s the world's insurance community has entered the first phase of recovery. It is still early days and the insurance industry's business cycle is at one of its lowest ever levels. Yet insurance underwriters feel that at last the downward trend in the cycle may have been halted.

In the US, which produces about half of the world's insurance premiums (currently totalling more than $500bn), insurers in the property and casualty market have suffered underwriting losses of some $25bn in 1985, compared with losses of $21.5bn a year earlier.

Despite the apparently worsening trend, insurance analysts the A. M. Best company report that there has been a one-point improvement in the key barometer of insurance companies' performance — the combined ratio.

That ratio—which shows insurance losses expressed as a percentage of premiums — has improved from 118 to 117. While the underwriting losses may have mounted in 1985, insurers were increasing their premiums, which helped reduce their expenses on underwriting and improve the overall trend.

"The next phase of recovery," argues Best, "still lies ahead, as evidenced by the monstrous underwriting loss and the fact that 1985's 15 per cent increase in premiums earned lags behind the 17 per cent increase in losses." So the recovery is by no means assured.

For the world's intermediaries—the insurance brokers, who buy insurance on behalf of clients — the state of the insurance cycle is of some consequence. Insurance brokers are remunerated by commissions paid by the insurers which are calculated as a percentage of the premiums. If premium rates slide, so the brokers' commissions may be hit.

Since the late 1970s the world's insurance markets have suffered from the effects of over-capacity. There has been too much available capital seeking insurance business which has not grown at the same rate as the underlying capital resources.

Faced with increased competition and the prospect of high investment returns on business generated the insurers slashed their rates. Prices were discounted in the expectation that they could be raised once insurance policies were renewed.

The high level of insurance claims wrong-footed the industry, particularly on commercial lines of business, which cover a broad spectrum of the property and casualty insurance market.

Liability

Underwriters had taken steps to maximise the investment potential on their portfolios by taking onto their books risks where the payout period on possible claims appeared to be some way off. They had become more extensively involved in liability business where the returns from the investment on the premiums looked more attractive than any other class of business because it seemed that eventual insurance claims were only likely to materialise many years later.

Underwriters came unstuck. The incidence of claims mounted; court awards against industrial companies which had insured themselves rose sharply; and the years of price under-cutting took their toll. At the same time the growth in investment earnings of insurance companies slowed down against a background of falling interest rates.

In the second and third quarter of 1984 it appeared that underwriters had taken steps to arrest the trends. Premiums were rising. Moreover, there have been sharp contractions in capacity as underwriters have withdrawn from certain classes of business, such as liability insurance, which was driving up rates again.

For the brokers the turn in the cycle is providing challenges. In London, in the last renewal season—the period at the end of the calendar year when policies are renewed—insurance brokers have been facing one of their most difficult times that they can remember. Underwriters have been turning away business as they have sought to improve the mix of their portfolios.

For the brokers that arrange reinsurance protection for insurers — laying off the risks with other insurance specialists that insurance groups do not wish to retain—there have been other problems. There has been a contraction in reinsurance capacity, particularly on liability business, as underwriting losses have mounted.

The negative side of the turnround of the insurance cycle is that if markets in lines of business disappear then the chances of the broker earning commission are correspondingly reduced.

Those brokers who are well positioned in a changing insurance cycle are those with large international networks, which have outlets and access to the major insurance centres. The importance of developing connections in worldwide markets has been recognised by the US brokers for some years.

Since the 1970s the large US brokers have strengthened their links with London through the acquisition of Lloyd's insurance brokers. With their exclusive access to the Lloyd's market, the Lloyd's brokers have been attractive for a variety of reasons.

The Lloyd's brokers have access to an important reinsurance centre—the Lloyd's market itself; they have extensive established international networks; and they have well-developed links with the other major reinsurance centres.

Through their links with Lloyd's brokers the US intermediaries could act as reinsurance brokers in each point of the insurance chain earning multiple commissions on any one account.

With their exclusive access to the Lloyd's market crumbling the Lloyd's insurance brokers sought to establish their own links with US brokers and cement relationships. The top six US brokers have strong links with the London market through their own acquisitions of Lloyd's brokers, shareholding links or a strong mutual understanding.

Big accounts, which were channelled to London by the US brokers and placed in the London market by Lloyd's brokers, have been switched away from their usual London links by the Americans. Instead the business is channelled through the US brokers' own London-based Lloyd's broking subsidiary company.

This has placed some of the larger London brokers under pressure for they have lost important commissions as the accounts have been moved.

Market position

In addition, as broking groups become larger, other brokers have realised the importance of maintaining market position and market placing clout, particularly at a time when underwriting capacity is shrinking.

For these reasons there continue to be realignments in the international broking sector. In the past year British brokers C. E. Heath and Hogg Robinson have held talks with a view to a merger. But the move fell through over differences in each others' corporate strategies.

More recently, Sedgwick has been attempting to consolidate its international position as one of the world's largest brokers (after its merger with Fred S. James of the US it jockeys for second place in the world league with Alexander and Alexander Services). Sedgwick was in talks with Bayly, Martin and Fay of the US which is ranked 16th in the world league.

If the structural changes within the international broking market are exerting pressure on the brokers, the trading outlook, notwithstanding the shrinkage in capacity, is better than it has been for some time.

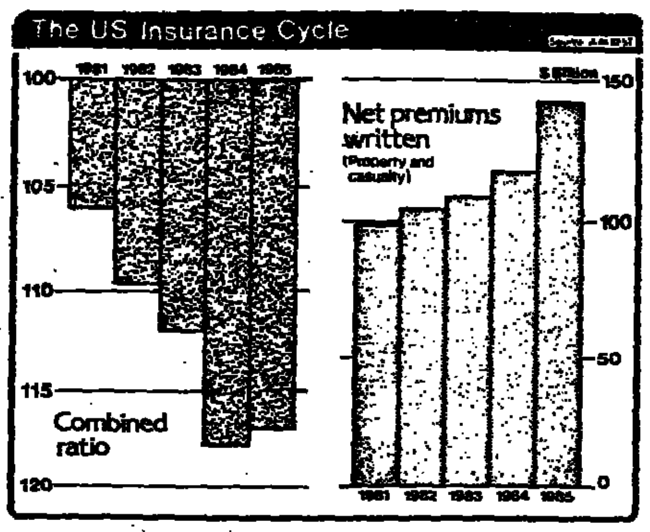
The rising premium rates on many classes of business are boosting commissions and investment income generated on the flow of insurance premiums has swelled revenues. Against this there are fears that brokers' expenses are rising as they fight to keep experienced staff who may be lured away by rival firms as competition increases.

There are also continuing worries about the bad debt problems which have arisen as the less secure end of the reinsurance market withdraws, causing disruption in worldwide insurance networks.

For the future, international insurance brokers face intensifying competition within their own community. As insurance markets tighten worldwide, those groups with well developed marketing strategies and access to all the important insurance of the world will do rather better than other firms who do not have similar outlets.

It is therefore highly likely that the international merger trends of the late 1970s will continue within the broking community. Insurance brokers will become larger, often dwarfing the size of individual markets that they provide with premium.

The medium-sized brokers will be forced to regroup to maintain position. But even in greatly changed markets, argue many intermediaries, the smaller brokers with established specialisations will still be able to corner a slice of the business.



Battle joined on legislation front

By BARRY RILEY, Financial Editor

THE ONCE relatively free and easy world of insurance broking in Britain is being rapidly enmeshed in an elaborate framework of regulation.

Although insurance companies have long been tightly regulated, the intermediaries have been left largely to their own devices—and have escaped some of the restrictions which have applied to other types of financial salesmen, such as on cold calling. But fundamental changes are now taking place, which are causing turmoil in the sector.

It started a few years ago when the term insurance broker became reserved for those practitioners registered with a statutory agency, the Insurance Brokers Registration Council. Nevertheless, other salesmen have remained entirely free to sell all kinds of insurance, so long as they take care not to style themselves as insurance brokers.

A little later, the Department of Trade and Industry decided to tighten the rules for licensed dealers in securities, which it has administered under the Prevention of Fraud (Investments) Acts, one of which dates back to the 1930s. This revision made it clear that intermediaries selling unit trusts should become licensed dealers—or alternatively should join the licensed dealers' self-regulatory organisation (SRO) Nasdim, which several hundred broking firms have now done.

It remains true that anybody can still sell insurance-linked products, but the net is rapidly closing in. And in particular, the regulators are creating a fundamental division between general insurance and those types of life assurance products which are savings-related. The latter are now being defined as investments, and are being brought within the scope of new and tough financial services legislation.

The effect is that people selling life assurance (and there are reckoned to be about 200,000 of them in the UK, half of them selling only part-time or as a sideline) face the need to register with an SRO by early next year.

Among the entirely new challenges faced by intermediaries in the new regulatory environment will be:

- Competence testing. A basic level of ability will have to be demonstrated by all individuals by passing a test;
- More disclosure of commissions to clients, sometimes on a "hard" or cash basis which it is feared would lead to the loss of potential sales;
- Adherence to tough and comprehensive rules which could outlaw widespread industry practices such as commission overriders and direct support to intermediaries such as payment of office overheads by life companies.

But the precise details of all this remain hazy. The Financial Services Bill had a difficult passage through the committee stage, which was completed just before Easter, and its final shape is still not entirely clear. Moreover the new top regulatory body, the Securities and Investments Board, and its subsidiary the Marketing of Investments Organising Committee (Miboc) which covers life assurance, are still in the process of producing draft versions of their rule books.

Miboc in particular has been having a rough ride. Its proposals for competence testing have been drastically changed since earlier plans appeared last year, and in March MPs on the Standing Committee examining the Bill forced Mr Michael Howard, the junior minister at the DTI who is piloting the Bill through Parliament, to ask Miboc for new disclosure rules.

The MPs are especially interested in disclosure of the total costs involved in setting up and marketing investment products, a rather broader question than that of sales commissions alone.

A broadly parallel investigation is being conducted by the Department of Health and

CONTINUED ON PAGE 2

The rise of the risk manager

UK Brokers

DINA THOMSON

BRITISH INSURANCE brokers point increasingly to the US as the culprits in their tale of woe —the crisis in the US liability insurance business has led to shrinking capacity in the reinsurance market which is having a "drag effect" on other areas of business.

A third of the business of the large UK broking firms is in reinsurance. With the number of liability suits, and the size of court verdicts, increasing sharply in the US, large London-based brokers are finding their ability to place this reinsurance business "diminishing by the day" according to a leading British broker.

As one syndicate after another at Lloyd's has run into premium income problems, some of the market leaders are now not taking on any new risk at all.

Shrinking capacity however, has been accompanied by a hardening of rates. A recent analysis of insurance brokers' accounts by the ICC group revealed that "forecasts of a slowing down in brokers' income due to overcapacity and a weakening pound are not reflected in large brokers' accounts."

Over the three years to 1984-1985 the aggregate income of 53 of the largest insurance brokers climbed from £873m to £1.187m, an increase of 36 per cent, according to the report.

While some of the risks stemming from the US liability market may be relatively easy

large amount of risk present a different picture.

C. E. Heath, one of the largest UK brokers increased its business in North America by more than 60 per cent in the last year.

"If we could have placed all we were offered it would be up by 100 per cent," says Mr Nigel J. Chamberlain, chairman of North American operations.

Reinsurance capacity in the US has virtually disappeared, with groups which have sustained heavy underwriting losses intent upon reducing their exposure. One leading broker estimates that $10bn of capital needs to be injected into the US market today simply to regain lost capacity.

"In US liability business it is extraordinarily difficult at the moment to see a long-term solution until the legislative base is in some way moderated—we don't believe there is going to be any substantial return of capital in this business until that happens," says Mr Michael Butt, chairman of Sedgwick Ltd, part of Sedgwick Group, Britain's largest independent insurance broker.

Cries for so-called tort reform in the US have resulted in at least six liability reform Bills due to be looked at by Congress, but British brokers are not optimistic about the pace at which they can expect change.

Over the last year, UK brokers have in many instances altered the method of writing risk from a "losses occurring" to a "claims made" basis. This essentially allows renewal of risk every 12 months and is an attempt to protect the underwriter from the threat of losses extending far back into time, as well as the broker from the ensuing high premium.

However, there are certain advantages to retaining the 'losses occurring' market within the UK. "Once you move to 'claims made' it is extremely difficult to go back to the old method. The cost of retroactive cover would be prohibitive," says one leading broker.

Some brokers expect to face grave problems with programmes which include both forms of cover, with complications arising as certain underwriters decide to change their participation in a layered system of risk cover.

"The wording is going to be crucial, with the broker having to understand the legal intricacies of what exactly he is asking the underwriter to do," says the managing director of one leading UK broker. "I think there are some brokers who do not even see the problems they are heading towards."

Brokers themselves — including Lloyd's brokers—are finding it exceedingly difficult to find professional indemnity cover. "Professional indemnity must be the worst sort of risk. I doubt if the capacity of the market is 50 per cent of what it was last year," one broker says.

The result of the shrinkage in capacity on reinsurance for any high risk is that many companies are "going bare" or uninsured. UK brokers say they are finding it extremely difficult to place certain risk at all, and often suceed in placing only a proportion of the cover desired by their client.

One broker cites the case of a Fortune 500 company in the US which 12 months ago looked for, and found, $200m worth of cover. Recently the broker could only find the same company $50m of cover in the combined US and London markets.

An alternative to "going bare" is to share risk within a group, so-called "industry captives" which pool resources to provide cover. But the implications surrounding product liability law in the US are now so expensive that, according to one broker "it has almost reached the stage where British companies cannot afford to trade in the US."

Whereas companies may in the past have had several layers of loss cover, they now increasingly have just one, says Mr James Smart at Binder Hamlyn, accountants with experience of the Lloyd's market. Capacity outside the US, UK and Europe appears to have disappeared.

The big changes in the market for UK brokers have increasingly accentuated the role of the broker as risk manager. According to one stockbroker with considerable experience of the insurance industry, "The risk manager is still more of an American beast than a British one."

This is partly because a great deal of the UK broking business coming from the US is wholesale. C. E. Heath, which claims to be the first Lloyd's broker to have done wholesale business in North America, points out that risk management is extremely important in the US, but the US broker tends to take care of it.

There does seem to be an increasing trend in London to move towards charging on a "fee" rather than a commission basis, a trend that could make existing substantial discrepancies in charges even greater, according to a leading broker.

With the large brokers increasingly viewing themselves as London-based, rather than as UK brokers, polarisation in the market looks set to continue.

Mr Michael Butt believes "London has an opportunity as an international insurance market to regain an initiative that might have been lost in a softer market. A lot of the competition has already withdrawn—locally based companies around the world with aspirations to write international business."

Meanwhile, the complexity of insurance transactions continues to grow. One broker recently cited an example of a $500m risk that produced 2.600 transactions in the London market.

The forging of US links by the large brokers is being accompanied by specialisation among the smaller ones. Broking companies are increasingly trying to develop professional marketing services in specific areas such as airline insurance.

Brokers are also watching closely the case facing the European Court of Justice, which may result eventually in the opening up of protected national markets in the EEC.

A fundamental change in the UK broking market has been the rise of financial services conglomerates, with banks and building societies offering a wide range of insurance services. This should place considerable competitive pressure on some UK brokers.

National Westminster Bank's insurance broking arm, National Westminster Insurance Services (NWIS), is in the forefront of UK business which excludes reinsurance.

TOP 20 WORLD BROKERS

Company	1984 gross revenues ($ millions)
1. Marsh & McLennan (US)	1,120.9
2. Alexander & Alexander (US)	576.9
3. Johnson & Higgins (US)	390.5●
4. Frank B. Hall (US)	372.8
5. Fred S. James (US)	292.8
6. Sedgwick Group (UK)	286.8*
7. Reed Stenhouse (Canada)	255.3*
8. Corroon & Black (US)	199.1
9. Willis Faber (UK)	177.8*
10. Rollins Burdick Hunter (US)	133.4
11. Hogg Robinson Group (UK)	111.6*
12. C.E. Heath (UK)	104.0*
13. Minet Holdings (UK)	102.7*
14. Jardine Insurance Brokers (UK)	98.9*
15. Stewart Wrightson (UK)	88.6*
16. Bayly, Martin & Fay (US)	77.9
17. The Crump Cos. (US)	69.6
18. Arthur J. Gallagher (US)	64.2
19. Sodarcan (Canada)	52.8*
20. Bain Dawes (UK)	45.4*

● Business Insurance estimate.
* Converted to US currency at applicable exchange rate.
Source: Business Insurance survey

Greater selectivity over markets

Brokers' views

LUCY KELLAWAY

HIGHER RATES and a chronic shortage of capacity have been written firmly into most insurance brokers' plans for the next 12 months. Most are prepared for another year in which they have to work hard and use their imagination if they are to take advantage of the increases in rates.

"It's going to be a difficult year, but a good broker should come out somewhat better in the end," says Mr David Rowland, chairman of Stewart Wrightson.

If lack of capacity has been the brokers' biggest bugbear over the last year, it is expected to remain that way. While capacity may shrink no further, there are few signs of a respite either.

However, some expect slightly rougher conditions in the areas that are presently most constrained. "In certain classes it might even get more difficult," fears Julian Radcliffe, director of Hogg Robinson. The worst-hit areas are likely to continue to be reinsurance, non-standard and long-tail commercial lines, and anything with a US flavour to it.

While no one knows how long it will take before there is a general increase in capacity some seem more optimistic than others. "There is hope that things may start getting better after mid-year," says Mr Derek Newton, chairman of CE Heath.

Mr Rowland notes that reinsurance in the US is getting a little easier, but does not take this to mean that there will be any rapid improvement in the UK. "There is a good inflow into Lloyd's but it is barely enough to deal with existing business. There are no signs of any new underwriting agencies in London," he says.

The present shortage of capacity is making life more difficult for the insurance brokers. "The additional workload is extraordinary," says Mr Newton.

"We now might have to go and see 100 underwriters instead of about seven. We are also having to be more selective over the markets we are prepared to use. Since as much of the business as we can manage is put through Lloyds, we no longer rush along to companies that have been formed to take advantage of higher rates. Unless we are convinced they are long-term players we wouldn't do business with them."

Even if capacity does start to creep up, nobody is ready for a sharp fall in rates. "I think that rates will continue to move up," Mr Radcliffe says. "Underwriters know that they can get away with charging higher rates, even in those classes where there is no pressure on capacity."

Rising expenses have also been a feature of insurance broking in 1985 and further increases are expected, though at a slightly slower rate. "There has been great pressure on salaries and competition for staff. Americans have been willing to escalate remuneration, and this has had a ratchet effect on the rest of the market. But my instinct is that it may ease a little," says Mr Rowland of Stewart Wrightson.

Another area of huge cost increases has been on errors and omissions premiums. Here also Mr Rowland sees little hope of any let up. "We are prisoners of the same problems that face our clients. These are long-term risks, and are often in difficult parts of the world. The world is becoming a much more litigous place, and if you give professional advice, you are vulnerable."

Most brokers, acutely aware of the diminished cover on their errors and omissions policies, are mounting campaigns to narrow the scope for mistakes. Hogg Robinson presents every new employee with a 14-page memorandum giving details of things to watch out for.

As a result of the rises in rates and the reduction in the amount of cover available, the type of work being carried out by insurance brokers is changing. Hogg Robinson, for example, devotes an increasing amount of effort to handling risk management for its clients. Mr Radcliffe says: "There is a new emphasis on providing services in new areas such as liability loss management. In previous years the client has not been prepared to incur the additional cost and effort of improving their risk management because they were not carrying large deductibles themselves, and the insurance companies did not encourage such efforts."

Another way in which the industry is changing is through the installation of computer systems—something that C E Heath expects to be an important cause of rising expenses over the next few years. According to Mr Rowland of Stewart Wrightson, the effect of new technology will alter the nature of insurance broking.

Battle over legislation

CONTINUED FROM PREVIOUS PAGE

Social Security, which has jurisdiction over pension products. A major expansion of personal pension provision is planned by the Government, but before giving insurance salesmen the go-ahead to tackle a big new market the DHSS wants to be sure that the costs and charges of personal pension plans are reasonable.

From several quarters, therefore, insurance intermediaries are faced with criticism that the marketing costs of investment-type products are both unduly high and inadequately disclosed. Indeed, there are suggestions that existing practices may not comply with agency law, a problem which arises essentially from the way that insurance brokers purport to represent their clients when selecting a policy, but actually negotiate their commission with the company.

There are important contrasts here with, say, stockbrokers, who charge their clients an explicitly-stated commission on each securities transaction, and with unit trust sales practices, which require a simple statement of charges.

In the past, life assurance premium relief, a tax privilege withdrawn two years ago, provided a reason why life assurance should get special treatment, but the industry now has to face up to the need to comply with more general practices. The adjustment may not necessarily be all in one direction — there are signs, for instance, that unit trust sales commisssions are rising — but eventually there will need to be harmonisation.

However, an even more pressing problem is that the probing into the structure of life assurance marketing by Miboc has highlighted anomalies which may have been tolerated in the old free and easy circumstances but which are unlikely to be accepted by the regulatory authorities in future.

Life and pensions products are sold at one end of the scale by independent intermediaries — usually insurance brokers — and at the other end by company salesmen. These two categories present no great regulatory problems, but difficulties arise from a blurred middle ground which has developed on a considerable scale. Essentially these in-between practioners are tied to a particular company but also place business elsewhere. Do their loyalties lie with their companies or their clients?

Miboc has found it difficult to deal with them, and would like to impose a "polarised" system in which intermediaries will have to choose between being independent brokers — offering clients the choice of the best policies in the market place — or company representatives who will not hold themselves out as doing anything more than selling a single range of products.

There is also the tricky question of the members of professional bodies — mostly solicitors and accountants, but also estate agents, actuaries and others—who also sell life assurance and pension plans.

It is likely that the industry will continue to be split by fierce arguments in the months ahead.

And in the area of competence testing, the big banks are hostile to Miboc's proposals, because a requirement to sell only through registered individuals would upset the banks' plans for a "supermarket" approach to marketing personal financial services.

Era of mega underwriting agency

Divestment at Lloyd's

JOHN MOORE

THE BIGGEST structural upheaval in the history of the Lloyd's insurance market is nearly completed. What has taken place has altered significantly the relationship of the market's 265 insurance brokers with the bulk of the underwriting agencies within Lloyd's which look after the affairs of the 28,597 underwriting members.

The changes in Lloyd's structure have been caused by Lloyd's legislation of 1982, which requires that insurance brokers at Lloyd's should sever their shareholding links with managing agency companies of underwriting syndicates by the middle of next year.

Lloyd's had been forced to include the provision in its legislation by Parliament because conflicts of interest, actual and potential, had been identified in the relationship between the function of brokers, buying insurance on behalf of clients, and the managing agency companies of Lloyd's insurance syndicates, which sell insurance.

In total, 114 agency companies, managing the affairs of 308 insurance syndicates in which the bulk of the 28,597 underwriting members are grouped, are affected. The Lloyd's market is composed of about 400 syndicates.

To date around 80 of the affected agencies have divested themselves of their links with insurance brokers at Lloyd's. These agencies are responsible for an important part of Lloyd's total underwriting capacity of £7bn.

In the 1970s, criticism grew within Lloyd's about the power of the brokers within Lloyd's. Underwriters argued that Lloyd's was effectively controlled by the brokers leaving them with little influence over the market.

To some extent the suspicions of the underwriters were confirmed by the report into self-regulation at Lloyd's, prepared by former High Court judge, Sir Henry Fisher, which formed the basis of the Lloyd's legislation. In 1980, Sir Henry observed that the eight largest broker-controlled underwriting agencies at Lloyd's were controlled by the eight largest brokers, which account for nearly 60 per cent of the premium income at Lloyd's.

The brokers had become involved with the underwriting side of the Lloyd's market during the 1960s, when, because of estate duty rulings, agencies sold out their businesses to the brokers.

The close relationship of the brokers with the underwriting side of the Lloyd's market encouraged the brokers to introduce more business to the market, with which they have exclusive access and, indeed, recruit underwriting members, who provide the necessary capital to allow Lloyd's to function.

Around 80 per cent of the market's insurance capacity in the form of underwriting members is introduced through members' agencies controlled by the brokers.

Now the relationships are changing. The divestment programme has created a new phenomenon—the rise of the mega underwriting agency. Outside capital has been discouraged from coming into the Lloyd's market to buy the underwriting agencies. Those outsiders that have shown interest have been deterred by the complex organisational structure that Lloyd's has created for the future management of the agencies.

This organisational structure has been designed to ensure that operational control of the agencies resides with those who work in the market.

In the change of ownership of the agencies, control has either passed to existing employees and management of the agencies in "management buy-outs," or control has passed to existing independent underwriting agencies at Lloyd's.

Sturge Holdings and Merrett Holdings, two of the largest independent underwriting agency groups at Lloyd's, have become more powerful because they have consolidated their positions through acquisitions of divested agencies.

Together with the divested agencies of insurance broker Willis Faber they are reckoned to command collectively about £1.5bn of Lloyd's total underwriting capacity.

Meanwhile the brokers continue to own members agencies which introduce underwriting members to the market.

The debate about the advantages and disadvantages of divestment raised the question about the brokers future relationship with Lloyd's. It was argued that brokers, with their underwriting links with the market severed, would feel less inclined to produce business for Lloyd's in the same quantities—they would be losing the profit commissions which agencies earn on underwriting and the possibility of influencing in-house Lloyd's underwriters on where they place their own reinsurance business.

It was customary for broker-controlled agency companies to channel their outward reinsurance business through the parent broking company.

An alternative view was put forward that brokers through their links with members agencies would still exert a powerful influence in the market. They could threaten an independent agency, which relied on the brokers' members agency for a significant part of business was transacted in a way favourable to the broker.

So far these fears have been unrealised. The brokers, operating against a difficult background for placing international insurance business, have shown no desire for moving away from Lloyd's.

Less obvious factors could influence and cement the relationship of the brokers with the underwriting hub of the market. Some of the independent agencies are now of such a size that they are seeking quotations on the Stock Exchange for their shares.

The independent agencies will be under pressure to perform for their shareholders. Large volumes of insurance business will be required by the agencies to generate profit commissions in order to maintain growth.

While the interests of shareholder and the underwriting member would not be identical in this relationship, which could create tension in the relationships in the future, the Lloyd's broker is almost certainly likely to find a ready market for business, albeit at a price.

Another factor could further strengthen the relationship. Premium rates are rising sharply within the Lloyd's market. Several underwriting syndicates are near their permitted financial limits within the market as capacity is fully utilised.

More underwriting members will be required to ensure that Lloyd's capital base expands with the demand of insurance as other, less soundly based insurance concerns withdraw from the market. The brokers' involvement in the recruiting of members to the market could prove crucial to its future success.

For, although there has been some unease expressed about the continuing relationship of brokers with these underwriting interests, the brokers are ideally placed, through their international networks, to produce a steady stream of underwriting members for Lloyd's.

Lloyd's brokers have been exploring the idea of redrafting the agency agreement between their members agencies and the managing agencies with which they have had to sever their links. If the agency terms can be renegotiated and the revenue splits apportioned in favour of the members' agencies then there would be little loss to the broker in terms of revenue contribution through the divestment programme.

Lloyd's is attempting to monitor whether the spirit of the divestment legislation would be breached through such renegotiations. But it is under pressure from sectional interests in the market to allow the members' agencies to adjust their remuneration terms.

Competition intensifies

British Insurance Brokers' Association

NICK BUNKER

FEW OF THE bodies that represent the UK's financial services industry have faced as challenging a year as the British Insurance Brokers' Association. Delegates meeting in Nottingham this week for BIBA's annual conference will find two issues especially high on their agenda.

First, they will have to come to terms with the regulatory framework for life assurance marketing created by the Financial Services Bill. This has been described as "colossally significant" by Mr Dickie Alexander, BIBA's chairman. "Until now we had what was effectively an unregulated business," he says.

Secondly, BIBA's 3,700 member businesses face what some see as the disturbing prospect of intensified competition from building societies moving into High Street retail broking as a part of the diversification allowed by government legislation.

In fact, BIBA members are no strangers to a firm regulatory regime established by Parliament. Since BIBA was founded as the insurance brokers' trade association in 1977, the basic qualification for membership has been registration as an insurance broker under the system laid down by the Insurance Brokers' Registration Act.

This system imposed basic standards of competence and a code of conduct and required brokers to support a compensation fund and hold professional indemnity insurance policies.

Similarly, the smaller brokers are used to the idea of large financial institutions competing for their business. In the last decade, the National Westminster Bank has emerged as the largest insurance broker (in terms of commission income) in the UK. Among BIBA's members are seven businesses ranking among Britain's top 500 companies.

At the same time, BIBA's members as a whole have kept a dominant share in the placing of most British insurance business. They place an estimated 80 per cent of commercial insurance, 50 per cent of private business (mainly household and motor) and 20 per cent of life assurance.

A major problem for BIBA, however, is that the impact of the changes in the industry could be concentrated at the High Street retailing end of insurance broking — and pose a threat to above 50 per cent of BIBA brokers, those which are small businesses employing fewer than 20 people.

One sign that BIBA is aware of this can be seen in its plans for a saturation publicity campaign focused on the East Midlands.

This is intended to be a pilot scheme around the slogan "use a BIBA broker" with the aim of giving the association the same kind of high-profile with consumers which the Association of British Travel Agents (ABTA) already has. It would stress BIBA's standards of service to the public.

BIBA is also trying to enable its smaller members to benefit from computerisation by publishing fact-sheets and advice on hardware and software through its Smaller Firms Systems Committee.

More generally Mr Alexander, and BIBA's director-general Mr John Hackett, feel that the Financial Services Bill and the competitive threat posed by the building societies could provide important opportunities for the association to expand its role and increase its authority.

New members

Broadly, they welcome the shape of the investor protection system expected to be ushered in by the Financial Services Bill. This is partly because it could provide BIBA with a source of new members. The regulation of life insurance intermediaries will be carried out by a new self-regulatory organisation formed from a union between the National Association of Security Dealers (NASDIM) and the Life and Unit Trust Intermediaries Regulatory Organisation (LUTIRO).

Mr Alexander — who sees BIBA as "a very broad kirk"— argues that BIBA should consider seeking members among businesses authorised by the new SRO which have not traditionally been insurance brokers.

"The question is are we going to remain a trade association for insurance brokers, or become something more?" Mr Alexander says. "We could open our doors to all investment brokers and full-time intermediaries."

This would arguably put BIBA in a stronger position to represent its existing insurance broker members in a period when businesses are wanting to provide a broad range of services to satisfy customers who want comprehensive financial planning as well as simply protection insurance.

The new system for investor protection will, in any case, contain some provisions which BIBA has backed for some time and which could benefit its members.

Recent clarification of what will emerge from the Financial Services Bill has for instance helped to calm BIBA's anxieties over the emergence of building societies as insurance brokers. MIBOC has proposed a system of individual licensing of insurance salesmen—which is likely to limit the extent to which building societies can simply use existing general staff to sell policies.

This enables Mr Alexander to see competition from building societies as an opportunity as well as a problem for BIBA. By selling life and general insurance, building societies will expand the volume of policies sold—and could help stimulate what Mr Alexander calls "the dawning public consciousness about investment business."

BIBA members could then be well-placed to capture a greater share of this expanded market by stressing to consumers their traditional independent expertise.

More generally, BIBA seems satisfied with most features of the new investor protection proposals—with one or two notable reservations.

First, the Marketing of Investments Board organising committee (MIBOC) has settled the vexed question of the status of life assurance intermediaries by adopting the "purist" approach which requires salesmen to be clearly recognisable either as fully independent intermediaries or as life company representatives.

This could enhance the status of BIBA members in the eyes of consumers by drawing attention to their independent role as the customer's agent.

Second, BIBA seems to have won its poltical campaign for life company representatives to be subject to the same MIBOC rules regarding disclosure of commissions as will apply to independent intermediaries. BIBA's worry here is that disclosure of information about policies could actually mislead consumers and deter them from taking out policies if it is too extensive.

"We are not against any disclosure, provided it gives the consumer useful and relevant information," Mr Alexander says. "A lot of life assurance business is sold to relatively unsophisticated people. Bombarding them with information will not necessarily help them.

BIBA has, however, failed so far to secure an extension of the Bill's regulatory framework to cover general, non-life insurance intermediaries.

BIBA fears that the sale of general insurance will attract dishonest or incompetent operators if it is subject to looser regulation than life assurance marketing. But the association's parliamentary adviser, Mr Robert McCrindle, a Conservative MP, has been unable to extract from the Government a commitment to deal with this problem in the current Bill.

Tighter reins on brokers

London Market Reinsurance

CHRIS MORRISON

ONE OF THE most prosperous periods in London reinsurance broking history has come to a sudden end. Tighter reinsurance markets have meant that brokers must work much harder to place their clients' although there are compensations in success since higher commissions can usually be earned on more expensive premiums.

Over the last decade the reinsurance market, through which insurance companies lay off part of their portfolios with other risk carriers, has boomed. Reinsurance has become more widely used in many areas of the developing world by locally owned companies to spread risks that were once written directly by foreign insurers.

In its turn reinsurance has been viewed as a cheaper way for underwriters to gain foreign business without going to the expense of direct representation.

As a result of these trends business has flooded into established reinsurance centres such as London and a vigorous collection of intermediaries has emerged as a result.

But the phenomenal growth in reinsurance broking has not occurred without a number of problems. The lightly regulated sector has attracted many new participants in recent years and not all of them have distinguished themselves or the London insurance market.

The recent memorandum sent to all chairmen of Lloyd's brokers from the markets errors and omissions underwriters was particularly scathing about certain practices that had apparently become widespread in the London commercial reinsurance market. It condemned inadequate systems of management control and said that in the authors' experience "many brokers do not have the most elementary safeguards in force."

An increasing level of negligence claims from brokers' clients has led to soaring professional indemnity insurance broking cover. As a result brokers are having to tighten up controls across their companies. If they don't they face the prospect of prohibitive

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Uncertainty over radical measures

UK Pensions

ERIC SHORT

GREAT CHANGES have taken place on the UK pensions scene and even more radical measures are in prospect under the Social Security Bill which will have a profound effect on the UK life assurance industry in the next decade.

The underlying theme of the proposed changes in the Bill is that the private sector should take a bigger role in pension provision, with the role of the state being correspondingly reduced. At the same time, the Government proposes to give individual employees the opportunity to be more involved in their pension arrangements.

Thus the Bill proposes that benefits under the State Earnings-Related Pension Scheme (Serps) should be reduced and that money purchase pension schemes should be able to contract-out of Serps as well as schemes based on final or average earnings.

This is accomplished by the introduction of personal pensions. Every employee will have the right to opt out of his or her employer's scheme and make their own pension arrangements through a personal pension. The implications for the life assurance industry *are many sided*.

Firstly, personal pensions can only be provided by approved institutions. These include banks and unit trust groups as well as life companies. However, this is a brand new pensions market and life companies with their established marketing outlets and administration procedures should be able to hold their own with the competition.

The Government Actuary in his tables accompanying the Bill, assumed 500,000 employees, all under the age of 40, would come out of their company scheme and take personal pensions. However, he subsequently admitted at a recent FT pensions conference that this was probably too low a figure.

This move of employees out of company schemes presents a swings and roundabouts situation for the industry.

Life companies will be able to expand their personal pension *sales, but many established life* companies have been involved in providing company pension schemes for decades.

The winners of personal pensions will be the smaller life companies not involved in company pension business. Those companies that are may well find that they cannot make up the loss in company pensions business with sales of personal pensions.

Golden opportunity

There could be a similar situation with life brokers and salesmen. The smaller intermediary at present not very much involved in company pension business, has a golden opportunity to market personal *pensions alongside pensions for* the self-employed.

The major pension consultant arms of the multinational insurance broking groups could see their company pensions business decline. But over the short term, they could find their workloads increase substantially in advising existing corporate clients and individual employees on the new pensions framework.

The Social Security Bill is concerned mainly with setting out the new pensions framework. Details will come later in Regulations. The Bill, however, sets out that there will be safeguards for the consumer over the amount he pays in charges and in the type of investments allowed on personal pensions.

Controls on charges and investments will be made, but as yet no one has any idea as to the nature of these controls. It has considerable implications for the design of personal pension products, their administration and their marketing.

The proposals will come into operation on April 1988, but life companies must have the necessary products prepared well in advance of that date so that the marketing process can start in time for the new system to come into operation. The administration systems need to be set up and tested by April 1988.

There is not going to be much time in which to make the necessary preparations, yet life companies cannot start until the details are known.

There is another complication to add to the uncertainty. The Labour Party has spelt out its complete opposition to the proposals. Mr Michael Meacher, Labour's spokesman on the subject has warned that if Labour is returned to power at the next election it will stop the Bill in its tracks.

Life companies thus have to make their preparations under the uncertainty that all could be changed at the next election —which is likely to be held before April 1988.

However, the 1985 Social Security Act has opened up new pension opportunities for the life assurance industry. Under this Act all employees changing jobs have the right to take a transfer payment from the old company pension scheme and invest it in a buy-out annuity with a life company.

£2bn uptake

Such buy-out contracts have been available for some years, but now the whole market is open with a potential premium uptake as high as £2bn. Both life companies and life salesmen are moving in to this marketing area pointing out this new investment opportunity to employees changing jobs. Once the current problems with the Inland Revenue are cleared up, the way will be clear for easy marketing of these plans.

Meanwhile, life companies have been enjoying a boom in sales of self-employed and executive pension contracts — a boom fuelled last year by fears, subsequently unfounded, that the Chancellor of the Exchequer, Mr Nigel Lawson, was about to change the tax regime for pensions in last year's Budget.

The loss of Life Assurance Premium Relief on life policies has encouraged many salesmen to devote more effort in selling *pension contracts using the tax* advantages as a marketing tool.

Indeed, many life companies get the majority of their new premiums from pension sales, as compared with sales of life products. This situation could expand over the next few years under the new pensions scene.

Changes test resilience

UK Life Assurance

ERIC SHORT

TWO YEARS AGO, Mr Nigel Lawson, the Chancellor of the Exchequer, shocked the UK life assurance industry when he removed tax relief on life assurance regular premium contracts —a tax benefit that had been given for more than a century.

At that time, it was widely forecast that the loss of Life Assurance Premium Relief (LAPR) would be a body blow to the industry and would result in a substantial cutback in new life business. It was felt that it would take years for the industry to recover.

As it happens, the industry has recovered remarkably well from the initial impact, with *new life business returning to* its pre-1984 Budget levels within, in many ways, the ending of LAPR has proved a blessing for the industry.

One casualty was expected to be endowment mortgage business—the use of an endowment contract to repay house mortgage. There was a drop in business, but it has turned out to be far less than predicted.

Ahead of the 1984 Budget, some 75 per cent of new mortgages were repaid by the endowment method. Now around 55 per cent of househuyers use the method. This compared with a decade ago when only one-third of mortgages were repaid by the endowment method.

The recent moves to end the interest differential charged on an endowment mortgage, *compared with the cost of a repayment* mortgage, combined with a general fall in interest rates, is resulting in the endowment mortgage becoming competitive in price with the repayment method. Life companies that are leaders in this field are looking forward to a substantial rise in business in a buoyant house market.

Building societies are becoming more selective in their choice of life company recommended to borrowers for an endowment mortgage. Certain other life companies are now operating direct in the mortgage lending market—or lending money from an overseas bank or money raised in the capital markets.

Prudential Assurance is the latest and largest life company to enter this field. It has also broken new ground by going directly into the estate agency business.

Secondly, sales of regular premium savings products have held up remarkably well in some sectors of the market. At one end of the spectrum, industrial life business—business where premiums are paid weekly or four-weekly and collected by agents at the homes of policyholders—continues to grow slowly but steadily after a slight hiccup following the ending of LAPR. It is now showing an underlying growth of around 10 per cent.

Benefits found

At the other end of the spectrum, sales of unit-linked regular savings plans barely faltered in their upward growth, backed by strong stockmarkets worldwide.

The main sector to be hit by the loss of LAPR was traditional ordinary life business, using with-profit contracts as *savings vehicles.*

It was the product designers in the life assurance industry who first found the benefits from the ending of LAPR. While LAPR was available, all regular premium life products were designed around the rules to qualify for the tax relief. This resulted in a rigid format for benefit design and premium payments.

Now the post-LAPR life contracts provide complete flexibility in both premiums and benefits, with policyholders being able to vary both according to circumstances. A typical example of this flexibility is provided by the new style Universal Life contracts.

The concept behind this product is that investors can choose their own mix of protection and savings within one contract, enabling the investor to adapt the contract to his own changing circumstances.

Indeed, the trend of the new style life contracts is to incorporate all long-term and short-term insurance needs within one plan.

The past 12 months has seen those traditional life companies, not in the unit-linked sector, overcoming any lingering misgivings and entering this sector —usually accompanied by an initial sales boom. There are now very few life companies not in this field.

However, the termination of LAPR has brought some radical changes in the life assurance industry. It ended the tax advantage of regular savings in life contracts over other forms of savings. Regular savings direct into unit trusts is now more tax-efficient, to go alongside the tax efficiency of lump sum investment into unit trusts.

The past year has seen more life companies setting up direct unit trust subsidiaries, marketing a complete range of trusts direct to the public.

The other change has affected the marketing methods and operations. Some life salesmen — those that sold tax reliefs rather than the benefits of life products — were hit hard by the ending of LAPR. Wherever possible, they have switched to selling individual pension products, usually with great success.

Pensions still offer investors substantial tax reliefs, and last year was a record year for sales of pension plans to the self-employed and to executives.

The growing involvement of life companies in the individual pensions field, together with the potential offered by changes in social security is discussed in another article.

Freedom

Life assurance marketing in the UK has operated under a complete absence of control from the central authorities. This freedom is being curtailed in the moves towards investor protection—moves very much affecting life assurance since in terms of headcounts it involves more people than the rest of the investment institutions put together.

The theme of the Financial Services Bill is more disclosure by financial institutions and by salesmen to the investor—moves that many salesmen regard with some trepidation. Disclosure of charges, commission and early cash-in values at the point of sale could well result in consumer resistance and a decline in life sales.

The life assurance industry has shown itself to be remarkably resilient to change in the past. The present circumstances offer it a splendid opportunity to adapt its products, its marketing methods and its charging structure to the new open disclosure, new technology environment.

Tighter reins on brokers

CONTINUED FROM PREVIOUS PAGE

professional indemnity cover or being buried under an avalanche of legal claims from their clients.

Underwriters have also concentrated reinsurance broking minds further this year by withdrawing errors and omissions coverage for claims that arise out of the "suitability" of markets used. As a result of this exclusion, brokers will be unable to claim on an E&O policy if their own clients require redress for non-payment *of reinsurance claims.*

Errors and omissions insurers have never covered actual insolvency on the part of a reinsurer but this latest exclusion relates to weak, although still running, reinsurers who prevaricate and raise bogus objections. The E&O underwriters note dryly that such a stance has the same result as insolvency since the assured's claim is not paid.

The resolution of problems of security is part of the broker's normal trading duty, note the underwriters. If he elects to use security of a dubious nature "he must recognise that there are likely to be attendant problems."

Many of the recent problems in the London reinsurance market have occurred within some of the smaller broking operations. Many of these companies have offered quick placements of difficult insurance business with reinsurance markets in return for large amounts of initial commission on the original premiums.

The reinsurance used to write the risks has sometimes been highly dubious and problems of claims collection have often occurred within a short period. In many cases where this has occurred the broker has often ceased trading or simply disappeared.

Overall, London reinsurance brokers face a much tougher business environment in which to operate in the near future. Many of the past mistakes within their midst have still to work their way through the system and many individual operations face both time and expense in tightening up their own business procedures.

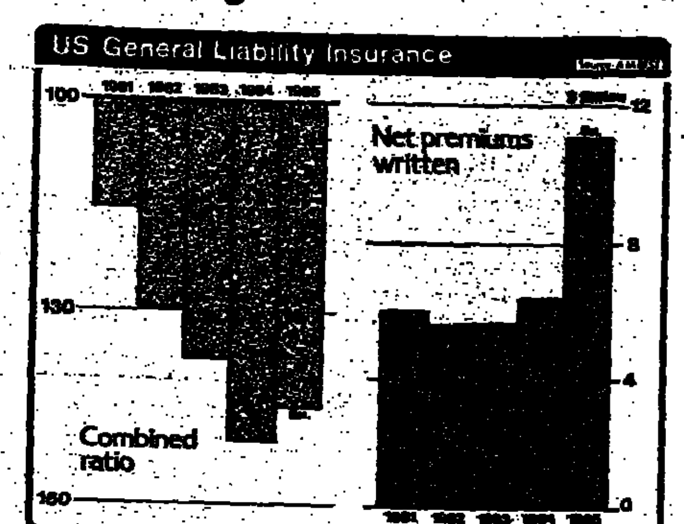
Even the prospect of higher commissions in rapidly hardening reinsurance markets could prove to be a double-edged sword in what is now firmly a sellers' marketplace. Reinsurance is now much harder to place with far more choosy underwriter while even the levels of commission have come in for some examination.

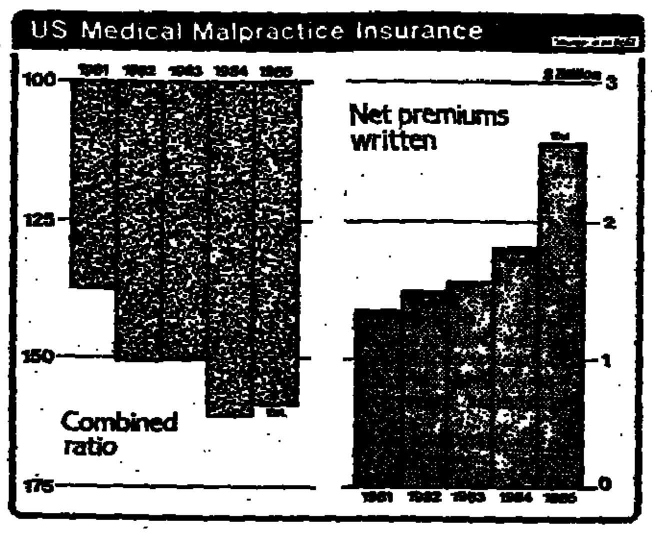
Recent suggestions from marine reinsurers in London that they are considering cutting the brokerage paid on excess of loss business could be a foretaste of things to come. On the company side, Mr Donald Town, the former chairman of the Institute of London Underwriters, has complained that X/L commission levels were "well and truly of major concern." Over at Lloyd's, Mr Richard Outhwaite, chairman of Lloyd's Underwriters Association, described the 10 per cent X/L commission rate as "excessive."

US industry under consumer fire

Liability Business

JOHN MOORE





WHEN US consumer rights champion Ralph Nader takes up a cause it is likely to attract attention. In the last few months Nader has turned his firepower on the insurance industry.

Together with the National Insurance Consumer Organisation, he has been launching an attack on the pricing policies of the international insurance community which had led to huge rises in the cost of liability insurance. Both Nader and the National Insurance Consumer Organisation are concerned about the numerous cancellations of cover and the withdrawal of underwriting capacity elsewhere.

His particular target is the Lloyd's insurance market. Lloyd's underwriters act as an important reinsurance centre. Of the $7.9bn of outward reinsurance that US insurers buy to protect themselves against onerous losses, more than $2bn comes to Lloyd's.

Nader argues that Lloyd's has exerted undue influence on the US insurance market and that there is a tacit understanding between US insurers and Lloyd's on the rate increases that are taking place. He claims that there has been "fictitious averaging" within the industry about the size of settlements, a deception designed to stifle the rights of injured parties.

Mr John Bogardus, chairman and chief executive officer of Alexander & Alexander Services, one of the world's largest insurance brokers, said in London recently:

"Nader and his cohorts have raised questions which require careful and lucid answers. We must give these answers if we are to avoid ill-conceived political reactions at both federal and state levels. The industry needs unimpeachable statistics to back up its claim that litigation and settlements are soaring. Only when armed with such verification will an aggressive stance be warranted, and only then will it be effective."

There is universal agreement among international insurers that something has to be done in the area of liability insurance. The US legal system, argue the insurance industry and the buyers of liability insurance (the manufacturing companies and other groups, such as doctors), favours the consumer that sues. As a result, court awards against insured are soaring, with a commensurate rise in insurance claims.

Mr Maurice Greenberg, president and chief executive officer of American International Group, the US insurer, argues that the problem is more serious. "Since the late 1970s and early 1980s, the strict liability standard appears to have eroded further into one of absolute liability, compensating those injured regardless of who is to blame," he says.

Numerous recent civil cases exist, he says, involving unusual definitions of liability. The cases he cites to demonstrate his point are:

- A Las Vegas jury ordered the Stardust Hotel to pay $3.25m to a woman who was raped at the hotel.
- An insurance company paid $260,000, plus $1,500 a month, to an 18-year-old plaintiff who was paralysed when he fell through a skylight while attempting to burgle a school.
- Two Maryland men attempted to dry a hot-air balloon in a laundry dryer. The dryer exploded, injuring the men. The dryer manufacturer was forced to pay the men $855,000 in damages.
- An overweight man with a heart condition suffered a heart attack while starting a Sears lawnmower. A jury ordered Sears to pay the man $1.8m.

"As a result of this expansion of the standards and definitions of liability," says Mr Greenberg, "the ability of insurance companies to properly price liability insurance for certain classes of risks has been severely impaired. Insurance is unique in that its price is based on a projection of future costs. The actual cost may not be known until many years after the policy is written. Insurers are therefore unable to assess the risks of a product or service whose losses are unpredictable."

Many insurers have responded by sharply increasing premiums, reducing coverage to a fraction of former limits, or cancelling many lines of liability insurance.

The insurance industry has urged that the US legal system be reformed. The Association of Insurance and Risk Managers in Industry and Commerce, representing buyers of insurance, have placed their support behind the industry in an effort to secure changes.

Of particular concern to the insurance industry is the contingency fee system. Plaintiffs' attorneys in the US generally work on a contingency fee basis. The lawyer agrees to charge a fee only if he is successful in obtaining a monetary reward for his client. The fee is generally between 30 and 40 per cent of the award.

Supporters of the contingency fee claim that it provides easy access to the courts for those who could otherwise not afford it. Reformers argue that it encourages lawyers to go to court and sue for larger jury awards, since the larger the verdict, the larger the attorney's fee.

Some of those opposed to the contingency fee propose that it be eliminated, or, at the very least, related to graduated levels of the amounts of the awards.

Another area of concern within the industry is punitive damages, awarded in civil cases to punish defendants for malicious acts. Punitive damages are awarded above and beyond compensatory damages, which compensate the plaintiff for actual losses.

Punitive damages were once awarded only in cases of wilful and intentional negligence, but are now regularly awarded. Insurance companies argue that defendants are not punished by punitive damage awards when the insurer is required to meet the bill. Additionally, insurers claim that such awards encourage a greedy, lottery-like attitude towards claims litigation.

Insurers favour the elimination or reduction of punitive damages. They say they should not be awarded to plaintiffs who have already been awarded compensatory damages, but should instead be paid into a special fund to be used for charitable purposes.

In most common law jurisdictions, insurers point out, the statute of limitations on tort claims—claims for any wrongful act, damage or injury against another, for which monetary damages are sought—does not start until the wrongful act or omission is, or should have been discovered. In most product liability cases this occurs at the time of injury.

As a result, it is not unusual for a lawsuit to be brought and tried 20 years after the allegedly defective product was manufactured, or the toxic waste dumped (in the case of pollution claims), or the alleged malpractice occurred. Courts and juries have tended to apply current standards of technology, professional procedure and even law to acts or omissions that occurred many years prior to the trial.

Underwriters say that their companies are forced to pay liability claims for injuries for which the defendant would not have been liable had the lawsuit been tried after the allegedly wrongful act.

Those urging change say that the present system burdens a few manufacturers, doctors, accountants and others with the high cost of defending and possibly paying for past acts or omissions which were not actionable when they occurred. The added costs have an adverse effect on the insureds' ability to compete in foreign markets, claim the reformers.

There has been some progress. The US Congress is currently considering legislation which would end the numerous product liability laws and create federal law. Other reforms are proposed for medical malpractice liability.

Meanwhile, in London, insurance companies, and at Lloyd's underwriters, still continue to take a cautious view of the market. One of the top five British companies, the Guardian Royal Exchange, recently stopped underwriting liability business for international accountants.

At Lloyd's, underwriters have curbed their exposure to the US market. Although, in dollar terms, Lloyd's capacity increased by 40 per cent, it underwrites no more than 2 per cent of the total liability business generated in the US.

"It is very flattering to read that the buck stops at Lloyd's," said leading Lloyd's underwriter, Mr Richard Hazell, a member of the market's governing council, "but in reality it does not. It stops where it has always done, in the United States and in the pocket of the consumer."

Mounting compensation claims

Professional Indemnity Insurance

JOHN MOORE

HOW COSTS HAVE RISEN

	1985 Fee income £	1985 Premium £	1985 Excess £	1984 Fee income £	1984 Premium £	1984 Excess £	Rate increase %	Premium increase %
Chartered surveyors								
City	1,200,000	13,905	2,500	650,000	4,800	1,000	56	189
Provincial	200,000	1,889	1,500	170,000	1,150	1,250	39	64
Architects								
Provincial	225,298	4,050	2,500	183,000	1,840	1,500	78	120
London	270,000	211,000	5,000	244,750	11,080	5,000	72	89
Accountants								
London	815,000	17,050	7,500	608,000	6,850	2,500	86	149
Provincial	180,000	1,750	1,000	144,000	375	1,000	273	366
Insurance brokers								
City	4,600,000	62,000	25,000	3,500,000	11,476	500	309	440
Provincial	430,000	1,250	500	384,000	440	250	154	184
Miscellaneous*								
London	1,250,000	900	500	1,000,000	600	250	16	50
Provincial	418,619	4,100	2,000	400,000	1,191	2,000	237	344

* Management consultants, computer consultants, licensed dealers in securities.

Source: Nelson Hurst and Marsh.

THE PROFESSIONS are facing a commercial nightmare. Clients of accountants, solicitors and insurance brokers are turning to the courts more frequently for compensation when professional advice leads to monetary loss.

At the same time the cost of the insurance protection for the professions seeking to cover themselves against claims by clients is rising sharply. In some cases the cover is disappearing altogether.

In recent weeks the Guardian Royal Exchange, one of Britain's leading composite insurance companies, which has the largest exposure to UK liability business decided to cease underwriting professional negligence cover for international accountants, a class of business it had underwritten since 1972.

"It was good business until the early 1980s," said Guardian Royal Exchange, "but then people realised that accountants could be sued and the level of claims has gone wild."

Accountants are seeking to limit their liability in the conduct of audits as the risk of suits for damages has now become so acute, and the insurance cover so costly, that unlimited liability is no longer tenable. Representations have been made to the Government.

Securities' dealers in Britain are finding insurance cover difficult to arrange. The new Securities and Investments Board, which is to be the City of London's main supervisory body, has expressed its concern at the present difficulties of obtaining cover.

A number of the proposed self-regulatory organisations, which will carry out supervision of various investment markets, subject to the overall supervision of the Securities and Investments Board (SIB), are expected to be unable to arrange satisfactory insurance schemes which will protect the investor.

The SIB intends to devise its own scheme which will provide a certain minimum level of cover — up to £30,000 per customer — for customers of registered investment businesses. A fund would be established by the SIB through a levy on investment businesses, and self-regulatory organisations would be able to provide additional top-up schemes.

The Royal Institute of British Architects has decided to set up its own scheme. "The growing anxiety and uncertainty about liability and insurance premiums among our members made it essential that the institute intervened to introduce its own scheme."

The institute has worked out a scheme in conjunction with Architects Professional Indemnity Agency, a subsidiary of insurance broker Lowndes Lambert. A new company has been formed, RIBA Insurance Agency, formed by the institute and the Lowndes Lambert subsidiary, which will act as brokers to the scheme.

Another new company RIBA Insurance is being set up to receive income from the agency. A minimum level of cover of £100,000 will be offered to small practices.

Against this background, insurance brokers themselves have found the cost of their own professional indemnity insurance rising sharply. The Porchester Group, one of Britain's largest life insurance intermediaries recently faced a rise in its insurance premiums from £30,000 to £180,000.

Other insurance brokers have seen their premiums rise by more than 400 per cent and some have warned that if the costs continue to mount then staff may have to be laid off.

Top executives of the 265 Lloyd's insurance brokers received a stern warning from leading Lloyd's underwriters of professional indemnity business that the business procedures of their companies did not, in many cases, contain enough safeguards to prevent their being sued by their clients.

"Most errors and omissions claims, said the underwriters, are due to mistakes within the broking firm of varying degrees of culpability and at levels ranging from directors to clerks.

Underwriters have taken tough steps to curb the level of claims on professional indemnity business. Insurance cover to protect insurance broking firms against litigation from clients in the event of fraud or dishonesty by senior individuals has been withdrawn.

Under statutory legislation insurance brokers are required to carry between £250,000 and £7.5m professional indemnity cover although in reality the big brokers seek to buy as much cover as they can get. Some brokerage businesses are insured for more than £30m.

A joint initiative is being studied by the Insurance Brokers Registration Council, the statutory registration body for brokers, and the British Insurance Brokers Association for the establishment of an alternative scheme. "The present insurance arrangements seem to be falling apart," the Insurance Brokers Registration Council says. The council has told the Government that it is difficult to operate the statutory rules in the present market.

At Nelson Hurst and Marsh, a broker which specialises in arranging professional indemnity insurance, director Nancy Layton-Cook says: "Many brokers now find it impossible to find the level of cover required by law." Moreover, underwriters have been under pressure themselves and have had to curb the amount of cover offered because of the contraction in professional indemnity capacity in the reinsurance market.

If the cost of insurance premiums is rising on professional indemnity business, however, so, too, is the amount of claims that insured are expected to meet from their own resources. The "excess" points or "deductible" elements of policies, under which it is stated how much the insured must meet from its own resources, have been varied in extensive fashion by underwriters.

For instance, a City insurance broker with a brokerage revenue of £4.6m was asked by underwriters in 1985 to bear up to £25,000 of any claim on his own account instead of £500 a year earlier. This could cause considerable strains on internal finances of the insured.

But if the rising cost of professional indemnity cover for insurance brokers is to be halted then the underwriters expect them to tighten up their internal procedures.

Underwriters have recommended Lloyd's brokers to institute a wide range of changes to ensure that there are adequate safeguards to prevent litigation by brokers' clients. These include calls on the brokers to ensure that documentation is improved, potential conflicts of interest in business dealings are eliminated, more precise contract wordings are used, more detailed checks into reinsurance arrangements are made and more efficient management procedures are introduced.

The underwriters have expressed fears that instructions of clients are not carried out by the brokers. "There may be technical and documentary weaknesses in the policies," the underwriters have said in a memorandum to the brokers.

Over the next few months the changes in the professional indemnity market are likely to gather momentum as the professions seek to reduce their costs on this vital commercial adjunct to their operations.

Heady days for the industry

US Brokers

WILLIAM HALL

WHAT A difference a year makes. Twelve months ago, the US insurance broking industry was still reeling from the impact of some earlier "operational" disasters, and mirroring the doubts and fears of the US insurance community which was bathed in red ink after horrendous underwriting losses.

Today, US insurance brokers have largely recovered from their costly incursions into the treacherous field of insurance underwriting and are riding a wave of prosperity which is reflected in heady share prices. Marsh McLennan, the industry leader, is currently capitalised in the stock market at $4bn, which is roughly the same as Merrill Lynch, the world's biggest stockbroker, and larger than most of America's major money centre banks.

Mr Robert F. Corroon, chief executive of Corroon and Black, the New York-based broker, summed up the optimistic mood of the US broking fraternity a few weeks ago when he reported that 1985 was the best year ever for his firm with operating earnings rising by 58 per cent and revenues up by 29 per cent.

He is expecting the current year to be another record. "Most insurers with which we work are beginning to show increases in their policyholders surplus resulting from both new capital and the improvement in their common stock portfolios. However, they are still increasing premiums and will do so until reserve deficiencies are reduced considerably. This means that the tight market will continue through 1986." says Mr Black.

America's insurance brokers have been benefiting from what Marsh McLennan describes as "an unprecedented decline" in capacity in the commercial insurance underwriting markets. Brokers commissions are based on insurance premiums and the the latter rose by more than a fifth last year primarily as a result of sharply higher premium rates.

"For many clients, price became a secondary concern when considered within the context of whether coverage was available at all" says Marsh McLennan. It notes that businesses ranging from ice-skating rinks to chemical and pharmaceutical companies are finding it difficult to obtain the amounts of insurance they want at prices they can afford.

Most affected are areas of unpredictable risk, such as pollution liability. Not only have the courts been expanding the definition of accidental pollution, but tort liability law is constantly changing, says Marsh McLennan and notes that many insurance companies are declining to provide pollution insurance of any kind, which is of "particular concern" to industrial companies throughout North America.

Corporations seeking liability protection on top of their primary casualty insurance policies are also feeling the effect of the tightened market. Marsh & McLennan says that "in almost every case, increased premiums bought less coverage" for complex risks in 1985. It cites the case of companies sitting on top of the San Andreas fault in California which were able to get as much as $200m of earthquake insurance as recently as mid-1984. "Today, even after multifold premium increases, earthquake coverage is severely limited for any location," the New York insurance brokerage giant says.

While the National Association of Insurance Brokers (NAIB), which represents the vast majority of US insurance brokerage firms, says it is impact of the current insurance "gravely concerned" about the liability crisis on clients and the US economy, it is an ideal climate for the major brokers.

Mr Frank Tasco, who took over as chief executive of Marsh & McLennan, says that there has been a "flight to quality" by corporate clients who are desperately searching for insurance coverage. This has benefited firms like Marsh & McLennan whose insurance broking revenues last year rose more than twice as fast as in 1984 as the company gained market share.

Admittedly, not all of the household names in the US insurance brokerage industry have been prospering like Marsh & McLennan. Frank B. Hall, which has been slipping down the rankings following Alexander's takeover of Reed Stenhouse and Sedgwick Group's acquisition of Fred S. James, continues to suffer from the effects of its ill-timed diversification into truck rental and insurance underwriting.

Last month it reported a $190.5m loss for 1985 and said that it has had its accounts qualified. Mr Al Tahmoush, the company's chief executive, was forced out last summer and a new management team installed headed by Mr John McCaffrey. Mr Saul Steinberg, the New York financier, has come to Hall's rescue and has been pumping in extra capital but the company continues to be overshadowed by the prospect of extensive and costly litigation.

The New York superintendent of insurance has closed Hall's Union Indemnity Insurance Company and says the company owes up to $138m. Several of Hall's rivals have stood behind their insurance operations and pumped in extra capital to meet the regulators' concerns but Hall has walked away from Union Indemnity and says that its losses are limited to its $14.5m capital investment.

How the US insurance brokers fared

($m)

	1985 revenue	1984 revenue	% change on year	1985 net profit (loss)	1984 net profit (loss)
Alexander & Alexander	913.6	788.0	+16	(7.3)	(47.2)
Corroon & Black*	263.5	204.2	+29	28.0	(7.0)
Frank B. Hall	417.4	372.8	+12	(190.5)	(14.5)
Marsh & McLennan	1,367.6	1,112.3	+23	162.8	58.7

* 1984 results have been restated for a pooling of interests: the corporation's underwriting management group has been presented as discontinued operations in 1984.

Research associate: Rivka Nachoma.

The earnings of Alexander & Alexander, second only to Marsh & McLennan in size, are also continuing to be affected by past errors. Last month the company reported a net loss of $7.3m for 1985. This was mainly due to a $52m after-tax provision to cover the loss on the disposal of its discontinued underwriting operations. However, the firm also says that the costs of integrating its operations with those of Reed Stenhouse, "have been higher than originally expected."

As the US insurance brokers look forward to the pospect of another good year for their core insurance broking operations, two issues dominate the agenda of the industry's more publicly spirited officials—the reform of the US civil justice system and the availability of insurance coverage.

The two issues are closely intertwined, the consensus view in the US insurance industry is that customers cannot obtain adequate insurance at a reasonable price because of the problems of the US judicial system. Mr Robert Hatcher, the chief executive of the privately-owned Johnson & Higgins, says that "for every valid claim comes a rash of court-ordered awards that stretch the limits of liability beyond belief."

He estimates that the average product liability litigant currently receives $1.07m, while an average medical malpractice claimant wins just under $1m.

"Until insurance laws are changed so that insurance contracts will be interpreted fairly —whether against the insured or the insurer—underwriters will continue to walk away from risks they deem undesirable," Mr Hatcher says.

There are signs that the US Administration is beginning to respond to the insurance coverage crisis in America by proposing to reform the US civil justice system. In the interim, US brokers have reluctantly agreed to drop their opposition to a major change in commercial general liability insurance policies which should make it easier for customers to get insurance coverage.

The US insurance industry has been backing the introduction of new "claims-made" insurance policies which replace the old "occurrence" policies. The new policies are designed to limit insurance companies' vulnerability to claims dating back for a long period.

The NAIB says that the "new forms provide less financial protection than the existing occurrence forms they replace" and that "clients may find they must self-insure losses that existing occurrence forms would have covered." However, it is no longer actively opposing the implementation of the new forms because of the "current market difficulties and the liability insurance availability problems faced by brokers' clients."

Meanwhile, major US brokerage firms such as Johnson & Higgins and Marsh & McLennan, have been devising more ways of providing insurance coverage in the present tight market. Last year Marsh & McLennan created and organised ACE insurance company. Marsh & McLennan does not have an equity interest in ACE, a new Bermuda-based insurance underwriter which is owned by 34 major US companies, which offers excess liability, and directors and officers liability coverages to its shareholders.

Syndicates at 60 by year-end

New York Insurance Exchange

WILLIAM HALL

MIAMI HAS its insurance exchange of the Americas, Chicago is the home of the Illinois Insurance Exchange, and there is talk of fledgeling insurance exchanges being started in places ranging as far afield as Texas and Maryland.

As the insurance crisis has hit America, the idea of setting up captive insurance companies or even local insurance exchanges to provide insurance coverage where none is now available has gained an increasing amount of attention. But so far the only US exchange to make any real impact in the conservative insurance world is the New York Insurance Exchange (NYIE).

Compared with Lloyd's of London, on which it is modelled, the New York Insurance Exchange is a minnow. But at least it has survived one of the toughest periods in this history of the US insurance industry and while its members' financial returns have been bathed in red ink, the exchange is poised to take advantage of the recent sharp upturn in profitability in the world's insurance markets.

Confident mood

After a hesitant start, the NYIE is in a much more confident mood than it was 18 months ago. The top leadership of the exchange which oversaw the NYIE's earlier years, has handed over to a new generation of managers and the exchange has moved into handsome new headquarters on the corner of Fulton Street and William Street in the heart of the New York financial district.

"There were many people in this business who did not think that the exchange would last six months. They were just as wrong as the occasional doomsayer we hear today who does not believe the exchange will survive another five years." say Mr David Sherwood, the former chief operating officer of the giant Prudential Insurance Company of America, who took over as chairman of the board of governors of the NYIE last July.

Mr Sherwood, who succeeded Mr T. Vincent Learson, a former chairman of IBM, is one of several new faces at the top of the NYIE. Mr Joe Fahys, who had headed Marsh & McLennan's management services group, has taken over as chief executive of the NYIE, succeeding Mr Don Reutershan, and Mr A. William Urquhart, a New York lawyer, has taken over as general counsel.

The New York insurance exchange opened for business on March 31, 1980 when its members began writing reinsurance and direct insurance policies. provide extra insurance capacity. The aim of the exchange was to try to help recoup some of the hundreds of millions of dollars of insurance premiums which were flowing overseas, in particular to the Lloyd's of London market.

For the first five years of its life there has been little need for the added capacity that the exchange brought to the industry. It has tended to attract business which had been turned away by more established institutions and this has been reflected in the financial performance of the close to 50 underwriting syndicates which now operate on the exchange.

The exchange's 1985 results look horrible. The NYIE's combined ratio, a closely watched barometer of financial health in the insurance industry, moved from 137.3 in 1984 to 160.9 last year. This means that for every $1 in premium which the syndicates took in they paid out $1.61 in claims.

As a rule of thumb, insurance industry officials like to keep a combined ratio at 100 per cent or less but given the heavy losses of recent years very few have been able to keep such a high standard. The NYIE stresses that there was a marked difference between the combined ratio of active underwriting syndicates (139.3) and the inactive syndicates (188.1).

Mr Joe Fahys, the NYIE's new chief executive, says that 1985 was "a year of reflection and transition for the industry" and this was evident in the experience of the NYIE membership. Gross written premium, a good proxy for the volume of business going through the NYIE, fell by about 5 per cent in 1985. This compares with an extremely rapid growth in the previous four years when annual premiums had jumped from under $20m to just under $350m in 1984.

Mr Fahys says that "people were being cautious. They did not like the risks and the prices they saw in the market, so they decided to stay away." In addition, some syndicates had written up to their capacity.

New capital

Despite the dismal financial returns of the last few years, Mr Fahys is enthusiastic about the NYIE's prospects and points to the substantial amount of new capital which it is attracting. "We are increasing our capital at a pace that was equalled in the first five years," says Mr Fahys who expects the capital of the NYIE's members to nearly double to $300m within the next year.

Much of the new capital is coming from non-insurance industry says Mr Fahys who argues that investing in an underwriting syndicate at the NYIE can offer as good, if not better, long-term financial returns for an investor, than buying stock in an insurance company.

For foreign investors and insurance companies, in particular, the NYIE is a relatively easy way to get exposure to the US insurance industry. The exchange is a self-regulated insurance and reinsurance marketplace, which is accepted in 36 US states as an excess and surplus, and reinsurance carrier.

"We encourage investors to come to the exchange to hire or retain the management services of someone who understands the insurance business" says Mr Fahys, who believes that investors are being attracted by the enormous "investment opportunity" of the NYIE.

The NYIE expect that the number of operating underwriting syndicates will rise from around 45 at the end of 1985 to at least 60 by the end of this year. In addition, it is expected that the ranks of the 74 broker members and 34 associate broker members will expand. "The brokers need the exchange more now than ever," Mr Fahys, a former broker, says.

NYIE at a glance

	Gross written prems. $m	Policy holders surplus $m	Combined ratio %	No. of syndicates
1980	18.7	97.6	125.3	21
1981	72.5	126.4	110.6	26
1982	156.4	159.0	114.1	35
1983	282.2	189.5	119.6	43
1984	345.6	182.6	137.3	45
1985	309.5	194.1	160.9	47

Source: Nyie estimates.

"For the next two to three years, I see a market that is going to be profitable for investors and we are going to make light years of progress in terms of organising our systems, so that people will not have to worry about the processing of their business and will be able to focus on the most important element in their business—risk selection," Mr Fahys notes.

Mr Sherwood recently summed up the NYIE's major priorities as follows: "First, to make certain that the financial integrity of the marketplace is maintained during these troubled times. Second, to make the exchange even more efficient so that it will retain current business and attract additional business. Third, to develop a more formalised long-range strategy for the exchange. In other words, we must decide where it is we want to go during the next five years to 10 years and plan on how we are going to get there."

To help with this last priority, the NYIE has recently engaged Stewart Economics, a consulting firm headed by Mr Richard Stewart, a noted insurance industry expert, to conduct a study aimed at assisting the exchange in its planning for the future.

FINANCIAL TIMES

Wednesday April 16 1986

AT&T to sever ties with South Africa

By Paul Taylor in New York

AMERICAN Telephone and Telegraph, the US telecommunications group, has agreed to sever virtually all its business ties to South Africa. The move is viewed by anti-apartheid activists in the US as among the most significant in a series of recent steps taken by big US corporations.

AT&T is expected to announce the package of wide-ranging actions – including phasing out South African mineral purchases, halting computer and other equipment sales in South Africa and limiting its long-distance telephone product offerings to basic service – at its annual shareholders' meeting in San Francisco today.

The group, which apparently decided on the action in response to since-withdrawn shareholder resolution tabled by a small group of employees in its Bell Labs research operations, yesterday confirmed the broad details of a seven-part programme. AT&T added that it expected the issue to be discussed at its annual meeting by Mr Charles Brown, the chairman.

While AT&T has no plants or sales offices in South Africa and only "minimal" direct investment there, the move is nevertheless seen as a major victory for US anti-apartheid campaigners. Among the specific steps AT&T is understood to have agreed are:

● The company will not renew two contracts which expire by the end of this year under which it buys South African platinum and palladium – precious metals used widely in electronic equipment manufacture. Last year AT&T bought $5.5m of the two metals from Impala Platinum of South Africa. The only other major supplier of the metals is the Soviet Union, although AT&T expects to avoid purchases from the Soviet Union by recycling existing supplies.

● AT&T says it will stop selling its computer and other equipment in South Africa through Olivetti, the Italian group in which AT&T has a 25 per cent stake. Olivetti, which distributes AT&T products in Europe and Africa under a distribution agreement, recently opened up a sales office in South Africa. AT&T said yesterday that it was "withdrawing products from that distribution channel."

● Although AT&T will continue to provide basic long-distance telephone service to South Africa, the group will not expand its services to include special long-distance services like toll-free numbers, data transmission and video-conferencing which are normally also offered in international markets.

The telecommunications group is also expected to announce other parts of its package, including pledges not to purchase or sell components made in South Africa, and offer its employees who are members of company savings plans the option of investing in US corporations that do not operate in South Africa.

Lloyds Bank bid rejected by Standard Chartered

BY MICHAEL CASSELL IN LONDON

LLOYDS BANK, one of the big four UK retail banks, yesterday formally launched its £1.17bn ($2.5bn) offer for Standard Chartered Bank, the London-based international bank, which immediately rejected the bid and pledged itself to remain independent.

The proposed bid, first made known nearly two weeks ago, would create the UK's largest clearing bank. The 750p a share offer was in line with expectations and Standard Chartered shares, which stood at 642p before Lloyds' original announcement of a possible bid, yesterday fell 27p to 846p. Lloyds lost 7p to close at 581p.

The Bank of England has been informed throughout of Lloyds' intentions and is understood to have raised no objections at the prospect of a merger.

Mr Brian Pitman, chief executive of Lloyds, said last night he was still hoping to reach an amicable agreement. A merger would create an exceptionally strong international group which would have businesses in more countries than any other European bank. It would, he claimed, rank alongside "the best of the American banks."

The prospect of an agreed deal was, however, at once dismissed by Mr Michael McWilliam, group managing director of Standard Chartered.

Mr McWilliam, who emphasised that the bank was not seeking a "white knight" to rescue it from Lloyds, added: "Lloyds has a dismal record of overseas banking management and we are particularly proud of the way in which we have run our international businesses. Just because they are in markets we have deliberately chosen to avoid does not make us complementary. We have a valid strategy which entails remaining independent and we believe we can see off Lloyds."

Under the terms of the offer Lloyds is offering 16 convertible shares and £14 in cash for every four shares in Standard Chartered. Alternative terms – worth 747p a share – offer 16 convertible shares, £8 in cash and one ordinary share in Lloyds for four Standard Chartered shares.

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US more conciliatory in EEC agricultural products trade war

BY MAGGIE FORD IN BRUSSELS

THE US yesterday adopted a more conciliatory tone in the tit-for-tat trade war with the European Community over agricultural products.

Mr Michael Smith, the US deputy trade secretary, presented a letter from Mr Clayton Yeutter, the Trade Representative, containing new proposals aimed at settling the dispute to Mr Willy De Clercq, the EEC External Relations Commissioner.

The letter suggested that the measures threatened by both sides in the dispute over Portugal's accession to the EEC should be suspended and the dispute referred to the General Agreement on Tariffs and Trade (Gatt).

As for Spain, the US proposed that negotiations under the Gatt should be started immediately to deal with compensation for the substantial trade losses the US claims it will suffer during a three-month period.

Initial EEC reaction was that the proposals did not seem to be fundamentally different from the previous US position. The EEC does not believe that the changes will cause any immediate serious damage to US exports and wants Gatt negotiations over the whole range of matters relating to accession of Spain and Portugal.

The US is complaining about three changes in import rules affecting Spain and Portugal after their accession. The changes, initiated by the EEC on March 1, are designed to bring the countries into line with the Common Agricultural Policy and Common Customs Tariffs.

Two measures relate to Portugal. On May 1 it is to start reserving 15 per cent of its cereals market for EEC supplies. US exports in these markets are worth more than $400m a year. It is also to replace a discretionary import licensing system for oilseeds with temporary quotas.

The US says this will severely limit soybean exports. Washington believes these two measures are inconsistent with Gatt rules and should be withdrawn.

On July 1 Spain is to replace its fixed 20 per cent tariff on maize and sorghum imports with a variable levy, which the US claims would double the cost of its maize exports to Spain. While it does not dispute the EEC's right to impose the variable levy, it claims that normal negotiations under the Gatt to work out balancing compensation would take too long in the face of the substantial trading loss it is likely to incur.

The dispute, which has cast a shadow over the proposed round of multilateral negotiations under Gatt, has escalated over the past month as both sides announced retaliatory measures.

Britain to reform copyright law

BY RAYMOND SNODDY IN LONDON

THE UK Government yesterday announced plans aimed at protecting British technological and scientific innovation in the first comprehensive reform of copyright law for 30 years.

The White Paper (policy document), Intellectual Property and Innovation, published yesterday proposed legislation which would cover everything from a levy on blank audio cassettes to cheaper and simpler patent litigation which would largely be dealt with by the Patent Office, which would become a statutory body separate from the civil service.

The Government also plans to protect original designs of functional objects such as spare parts by a new "unregistered design right." This new right would protect such things as car exhausts against copying for 10 years. But it would only apply to products first marketed in the EEC designed by EEC nationals or in countries which protected UK functional designs.

The move is intended to strike back at countries which copy British products, the Department of Trade and Industry (DTI) said yesterday. British industry would be free to copy functional designs of countries such as Japan, which do not have reciprocal arrangements with the UK on such matters.

Mr Paul Channon, Trade and Industry Secretary, said the Government was trying to strike a balance between rights owners and those who used their creations. "Our proposals will improve the intellectual property system in the UK to the benefit of innovative talent and those who enjoy and use the fruits of that talent," he said.

Mr Geoffrey Pattie, DTI Minister for Information Technology, said that intellectual property was already making a "very substantial" contribution to the British economy and this was likely to grow in future. Copyright earnings already accounted for an estimated 2.6 per cent of Britain's gross national product.

First reaction to the White Paper was mixed yesterday. It was welcomed by the Chartered Institute of Patent Agents (CIPA), which said it clearly recognised both the importance to British manufacturing industry of the existence of intellectual property rights and their use.

"CIPA hopes that the White Paper will lead to real benefits for small and medium sized businesses in exploiting their property rights," the agents said.

Thatcher defends UK role

Continued from Page 1

ment in opposition to US nuclear operations in Britain.

Last night, the leaders of the Labour, Social Democratic and Liberal parties, together with Mr James Callaghan, the former Labour Prime Minister, were invited to the Foreign Office to see, on confidential Privy Councillor terms, the intelligence evidence linking Libya with recent terrorist actions.

Several Conservative MPs apparently said it was politically necessary for more definite and clearer evidence to be made available to convince the British public.

Saudi Arabia urges oil output cuts

BY RICHARD JOHNS IN GENEVA

SAUDI ARABIA yesterday urged other members of the Organisation of Petroleum Exporting Countries to limit collective output to 16m barrels a day (b/d), the ceiling agreed in October 1984.

A statement issued by King Fahd before the resumption yesterday afternoon of Opec's ministerial conference adjourned three weeks ago, seemed to signal a significant change of tactics on the part of Riyadh.

The Saudis have been ruthlessly pursuing a policy aimed at maximising Opec's market share in line with the decision made in Geneva in December. Subsequently, this approach has been bitterly contested by Iran, Algeria and Libya with varying degrees of support from other members.

Sheikh Ahmed Zaki Yamani, Saudi Arabia's Oil Minister, made no comment in Geneva. One close associate of his delegation, however, described the King's statement as being designed to give a helping hand to other members of Opec which have been squeezed by the drastic fall in per barrel revenues since the end of 1985.

Other delegates viewed the opening Saudi salvo more cynically as an attempt to consolidate recognition of a Saudi entitlement to 27 per cent of total Opec production.

That proportion – acknowledged as the maximum for the kingdom under the output-sharing pact concluded 18 months ago – is now hotly disputed.

Iran, Iraq, the United Arab Emirates and Ecuador are foremost in demanding a radical change in the distribution of quotas which in practice have been ignored this year.

King Fahd was quoted by the official Saudi Press Agency as saying that observation of the 16m b/d ceiling was "the best way to end the fall in world oil prices."

The statement evidently had nothing to do with the Libyan call for an Arab oil embargo on the US after yesterday's bombing of targets in Tripoli and Benghazi.

Centenary celebration at Texas Commerce Bancshares

By William Hall in Houston

FORMER President Gerald Ford was there, as were many of the "heavy hitters" in the Texas business community. Lady Bird Johnson was running a few minutes late but never misses the annual meeting of what many of its members say is the best club in the Lone Star state – the board of Texas Commerce Bancshares.

Yesterday Texas Commerce Bancshares celebrated its 100th annual meeting in downtown Houston and Ben Love, the group's chairman for the last 13 years, went to considerable lengths to reassure club members and shareholders that the recent collapse in oil prices was not going to break Texas's biggest energy lender.

Mr Love cited the case of the legendary General Sam Houston who, with the help of 400 Texans, overwhelmed General Santa Anna's 5,000-strong Mexican army and saved the state of Texas at the battle of San Jacinto a few miles from TCB's headquarters.

"Sam Houston's Texas army won the battle of San Jacinto in 1836 equipped with two cannon, known as the Twin Sisters. In 1986 Texas Commerce is equipped with its version of the Twin Sisters in the form of its capital and its reserves," said Mr Love, who was confident that his own army of 8,500 bankers and 1,160 directors would triumph over anything that might be thrown at them.

He cited the group's equity capital of $1.2bn, or 6.3 per cent of total assets, the strongest capital ratio of any of the top 25 banks in the US, and its loan loss reserve ratio of 2.3 per cent is one of the three strongest among the nation's largest banks.

While many non-Texans view the state as a graveyard for bad energy and real estate loans, Mr Love stressed that the state was more diversified than it might appear.

Wholesale and retail trade contributes 19 per cent of Texas state product, manufacturing 19 per cent, finance, insurance and real estate 16 per cent, services 12 per cent, transport and utilities 10 per cent and government 10 per cent.

According to Mr Love's figures, oil and minerals account for only 8 per cent of the state's product.

"We are operating in a land of rare opportunity," said Mr Love who also reported that despite the well publicised problems in the Texas economy, his bank made a profit of $20.6m in the first 1986 quarter.

This compares with a loss of $28.8m in the fourth quarter of 1985 and a net profit of $29.2m in the first quarter of last year.

Mr Marc Shapiro, the group's chief financial officer, noted that the latest earnings of 63 cents a share are more than 50 per cent above the dividend payout. The group's loan loss provision of $36m in the latest quarter was $10m down on a year ago. During the first quarter of 1986 Texas Commerce completed a thorough analysis of its loan loss reserve "based partially on the assumption that oil prices might average $14 per barrel over the next three years."

The group's non-performing loans climbed from $654m at the end of 1985 to a record level of $716m, or 5.5 per cent of total loans, at the end of the latest quarter. Some 52 per cent of the non-performing loans are real estate-related and only 30 per cent are energy loans.

Uruguay to host Gatt negotiations

By William Dullforce in Geneva

PUNTA DEL ESTE in Uruguay has been chosen as the venue to launch a new round of global negotiations involving trade ministers from 90 countries.

The committee preparing for the negotiations, which will start on September 15, selected Punta del Este after Brussels and Montreal had agreed to withdraw their bids.

The choice signalled that the talks would be a common effort by developed and developing countries to open the way for global free trade, Mr Alan Beesley, the Canadian Ambassador, said yesterday when he withdrew Montreal's candidature.

The agreement was warmly welcomed by developing countries and the Zaire representative described it as an historic moment.

The choice of a developing country to act as host has long been seen as the right political gesture by most of the 90 member countries of the General Agreement on Tariffs and Trade.

THE LEX COLUMN

Drinking up time at Distillers

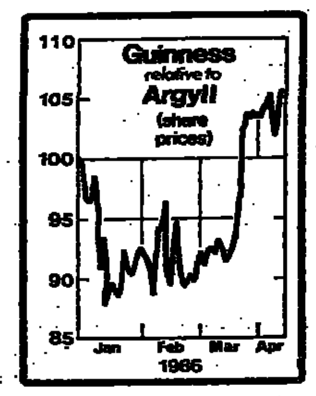
The battle for Distillers is not over yet but, for all Argyll's brave words, the message of the marketplace is that Guinness has wrested the initiative. Whereas this time last week there was almost nothing to choose between the rival Imperial offers, Guinness has already established a clear edge over Argyll. Yesterday's announcement that Guinness spoke for 31.8 per cent of the Distillers equity – almost double the total amassed by its rival – left even a stalemate looking an improbable result.

Victory for Guinness would be a cruel outcome for Argyll. Without the intervention of Mr James Gulliver, shareholders in Distillers might still be sitting on an investment valued at less than half the price being offered by Guinness. The recommendation of the Distillers board is neither here nor there. The company's management was discredited before the battle began and has been almost invisible ever since. Nor is there any reason to suppose that Argyll would demoralise Distillers employees any more than the supposedly friendly Guinness.

As managers of grossly underutilised assets, there is not much to separate the two bidders. Both offers have been pitched at a level which assumes spectacular cost savings almost from week one. Both Argyll and Guinness have proved themselves more than competent in this respect and it does not, after all, take a genius to dispose of the peripheral industrial interests, the surplus properties and the portfolio investments. Both companies could be expected to approach the more difficult problems – such as the speed with which surplus whisky stocks are run down – with sensitivity.

There may be marriage values in both the enlarged groups but they are hard to spot. Indeed, it could be that Bell's would enjoy less international marketing support if the Distillers brands were under the same ownership and that the acquisition of Distillers by Argyll would cause some de-listing by retailing competitors. The potential merger benefits arise within Distillers itself through the coordination of separately managed brand companies.

That coordination, coupled with the cost arithmetic, may go some way towards justifying a value of 700p or more for each Distillers share. But not the whole way. For the takeover to be worth the time and money of either offeror, Distillers will have to be developed into a far more vigorous and imaginative drinks company. Given the extent to which the Distillers management had fossilised over the years, it is remarkable that the company carried on making so much money for so long; but by the same token it will take years of brand-building to recapture the lost opportunities. There is no doubt that both Guinness and Argyll have the drive and determination to carry out the task. But, while Guinness may not have achieved quite as much in international markets as its public relations machine would have everyone believe, its record and its qualifications as a brand manager are superior to those offered by Argyll. For that reason, if for no other, shareholders should go with Guinness.



Glaxo

While analysts look for signs of the slowdown at Glaxo in every set of figures, the company keeps failing to provide them.

Interim pre-tax profits up by a third to £260m despite Farley and adverse currency movements were not in the programme. The £½ rise in the shares to £10¾ owed even more to the company's intimation that there are a couple more years of 30 per cent growth coming up.

That may defer the problem of how to replace Zantac as the engine of growth, but also seems to make it worse.

The problem is not giving Glaxo management ulcers, though. Zantac's growth is unlikely to be replaced by another single drug, but it has given Glaxo an entry to the big US and Japanese markets for later products and provided time and cash to launch them.

US profit margins are now coming up to the group average, with the less happy side effect of a rising tax charge. In the half year sales of antibiotics rose by nearly 50 per cent, though they total only £81.5m, compared with Zantac's £285m.

The new oral, rather than injectable, drugs should go down well with patients. Despite a rise in R and D spending for the year from £92m to £120m and heavy capital expenditure Glaxo's cash pile continues to grow, £400m net at the end of the half year and still rising making it harder to avoid the lure of acquisitions.

With forecasts of pre-tax profits of at least £550m this year and a p/e ratio of 22½, £700m plus next, and tentatively over £900m thereafter, investors need not worry about Glaxo's growth just yet.

Lloyds/St'd Chartered

Undaunted by the lack of a welcome from Standard Chartered, Lloyds Bank has doggedly and rather mysteriously persisted in its offer of 750p a share.

For Lloyds to have gone ahead at all suggests that the Bank of England has developed a new doctrine on contested bank mergers, or perhaps simply abdicated its previous role as protector of the unwilling victim.

However delphic the official line, it is surpassed in obscurity by Lloyds' tactics of proceeding with terms that are nearly £1 below the market's valuation of Standard.

It could be that Lloyds is trying to set an early fashion in takeover methods for the bear market: come in below the ruling price and catch the acceptances as the market falls. The version of Lloyds' offer with the heavier weight of cash could well come to seem more attractive if the market does not regain its buoyancy.

In anything but a market collapse Standard should have a good chance of defending itself on price. From the high ground of its share price – well above historic net assets – Standard will be able to argue that Lloyds' plan is wrong in concept.

If things become closer and no white knight slides onto the board to justify the present premium over Lloyds' bid, Standard's defence may have to become rather less olympian.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	14	57	Dubrovnik	S	15	59	Malta	C	18	64	Rhodes	F	19	66
Algiers	F	19	66	Edinburgh	R	4	39	Manchester	R	5	41	Rio de J'o	C	39	102
Amsterdam	C	11	52	Faro	F	15	59	Manila	S	36	97	Rome	C	14	57
Athens	S	17	63	Florence	R	10	50	Melbourne	F	23	73	Salzburg	S	14	57
Bahrain	S	31	88	Frankfurt	F	14	57	Mexico City	S	28	82	San Francisco	C	21	70
Bangkok	S	35	95	Funchal	F	17	63	Miami	C	24	75	Seoul	S	16	61
Barcelona	F	15	59	Geneva	F	12	54	Milan	R	8	46	Singapore	F	32	90
Beirut	-	—	—	Gibraltar	C	16	61	Montreal	C	14	57	Stockholm	C	2	36
Belfast	Sl	4	39	Glasgow	R	4	39	Moscow	C	2	36	Strasbourg	-	—	—
Belgrade	S	11	52	Guernsey	C	5	41	Munich	S	13	55	Sydney	S	23	73
Berlin	F	12	54	Helsinki	C	3	37	Nairobi	-	—	—	Taipei	C	21	70
Biarritz	F	16	61	H. Kong	C	24	75	Naples	F	15	59	Tangier	F	15	59
Bombay	F	32	90	Innsbruck	F	10	50	Nassau	S	27	81	Tel Aviv	S	21	70
Bordeaux	C	13	55	Inverness	F	5	41	New Delhi	F	34	93	Tenerife	C	18	64
Brussels	R	7	45	Islamabad	S	32	90	New York	R	20	68	Tokyo	R	13	55
Budapest	S	11	52	Istanbul	S	12	54	Nice	R	13	55	Toronto	C	13	55
B. Aires	S	17	63	Jakarta	C	32	90	Nicosia	S	24	75	Tunis	S	21	70
Cairo	S	25	77	Jersey	F	10	50	Oporto	F	11	52	Valencia	C	18	64
Cape Town	F	21	70	Jo'burg	S	21	70	Oslo	F	2	36	Venice	F	12	54
Caracas	C	30	86	Lima	C	24	75	Paris	C	10	50	Vienna	S	13	55
Casablanca	C	16	61	Lisbon	F	14	57	Peking	S	21	70	Warsaw	S	8	46
Chicago	C	13	55	London	C	8	46	Prague	F	14	57	Washington	-	—	—
Cologne	C	13	55	Los Angeles	C	24	75	Reykjavik	C	-3	27	Zurich	S	13	55
Copenhagen	Sl	1	34	Luxembourg	C	10	50								
Corfu	S	14	57	Madrid	F	12	54								
Dallas	-	—	—	Majorca	S	16	61								
Dublin	R	5	41	Malaga	S	17	63								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Attack strikes near Gadaffi

Continued from Page 1

after 02.00 hours, Tripoli time. He said a number of buildings were damaged in the strike.

As US jets screamed across the city Libyan anti-aircraft guns and missile batteries opened up, illuminating the sky with tracer shells.

A series of powerful explosions rattled the windows of the hotel where I am staying and shook the building.

Immediately after the attack, which lasted about 10 minutes as the F-111s made several sweeps across the city, Tripoli was plunged *into darkness. Ships in the harbour* in front of my hotel doused their lights.

At about 5am a second round of shooting broke out, but its cause was unclear.

Several residential buildings were levelled. About twelve cars wrecked by the bombs littered the scene.

Tripoli Radio took more than an hour to report the raid. In the meantime it played martial music.

From my room on the sixth floor of the Kabir Hotel on Tripoli's waterfront I had a clear view of Libya's counterattack.

Huge bomb blasts were followed by frenzied bursts of anti-aircraft fire, which appeared red and blue as the shells exploded over the city.

Even though the hotel was plunged into darkness by the blackout minutes after the raid began, my room was brightly lit by exploding anti-aircraft shells.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday April 16 1986

Montedison set to launch private pension fund plan

BY ALAN FRIEDMAN IN MILAN

MONTEDISON of Italy is expected to announce plans on Friday to become the world's first chemicals company to enter the pension funds business. Mr Mario Schimberni, Montedison chairman, is to outline the group's plans to launch a pension fund for his company and is also likely to discuss Montedison plans to offer pension fund services to other companies and individuals.

The state pension system in Italy has been in financial trouble for some time. The idea of private company pension funds is new for the Italians, hence the novelty at Montedison. More significantly, Montedison appears to be planning to develop through its Standa retail subsidiary a wide variety of financial services, which is in itself an unusual diversification for a chemicals, pharmaceuticals and energy group.

The Standa chain of 280 department stores and several Euromercato hypermarkets could, as early as next year, be selling insurance, consumer credit, unit trusts and other financial services as well as pension funds.

This potential development stems in part from Montedison's takeover last summer of the BI-Invest financial and industrial group which included a controlling stake in La Fondiaria, one of Italy's largest insurers, as well as two newly authorised unit trusts.

Meanwhile, it has also emerged that Montedison's Erbamont pharmaceuticals holding subsidiary, which is quoted on Wall Street, was hoping to raise more than $200m by means of a bond issue in the US which would be convertible into equity. Montedison owns 84.6 per cent of Erbamont, which in turn controls 75 per cent of Farmitalia Carlo Erba, its Italian pharmaceuticals company.

The main reason for the likely Erbamont dollar issue would be to enable Erbamont to subscribe its portion of a L413bn ($258m) rights issue for Farmitalia. The Farmitalia issue was approved at a recent shareholders' meeting in Milan.

The Farmitalia share issue brings to a total of L1,820bn the equity issues already announced by Montedison and its various subsidiaries. The Montedison group is hoping to tap the Milan bourse and Wall Street for around L2,000bn this year, a combined total which is even larger than the L1,125bn share issue announced recently by Fiat, Italy's leading private sector group.

Messer Griesheim plans big investment

By John Davies in Frankfurt

MESSER GRIESHEIM, the West German producer of industrial gases and of welding and cutting equipment, is pressing ahead with a big investment programme in the wake of its record performance last year.

The group, two-thirds owned by the Hoechst chemical concern and one-third by the Messer family, is embarking on projects costing about DM 300m ($140m), with some of the work and expenditure extending into next year.

Messer Griesheim has been steadily building up investment in the last few years, spending DM 164m in 1984 and DM 193m last year. Much of the investment has gone on capital-intensive industrial gas projects in Europe and the US, although it has also been streamlining its welding and cutting operations, with more emphasis on new robot and laser technologies.

Worldwide sales revenue rose 8.3 per cent to DM 1.91bn last year. The Frankfurt parent company, the sales of which were up 7.4 per cent to DM 1.25bn, sharply increased its net profit to DM 72m compared with DM 50m in 1984 and DM 40m in 1983.

Mr Hans Messer, chief executive, said industrial gases accounted for 70 per cent of sales revenue last year but could eventually make up 80 per cent or more. Messer Griesheim saw good prospects of expanding its industrial gas business abroad, especially in the US, and aimed to grow faster than its competitors in foreign markets.

As part of its investment drive Messer Griesheim plans further expansion of its capacity to produce gases for use in the electronics industry in Europe and the US. It claims to have about 25 per cent of the West German market for such gases.

Messer Griesheim's welding and cutting equipment division returned to profit last year after being drawn into the red during the previous two years because of losses in some sections of this business. It is setting up high-technology centres in four West German cities to develop closer contacts with clients in advanced welding and cutting technology.

Paul Taylor in New York reports on the results of big US banks

Citicorp falls 3% in first quarter

CITICORP, the world's largest banking group, yesterday reported a 3 per cent decline in first-quarter net earnings, making it the first big US banking group outside the troubled Texas energy sector to post an earnings drop in the current results reporting season.

The New York group said profits fell to $270m or $1.87 a share from $277m or $2.02 a share in the 1985 period. The decline in net earnings primarily reflected a sharp increase in the group's loan loss provisions.

Citicorp, which divides its reported results into a complex series of sector earnings statements, said pre-tax earnings from its three major sectors, individual banking, institutional bank products and investment banking activities, increased by 11 per cent to $379m in the latest quarter.

Overall Citicorp reported total revenue of $2.45bn in the latest quarter, up 24 per cent from a year ago, paced by substantial gains in its individual and investment banking operations which also posted large pre-tax earnings improvements. In contrast, Citicorp noted that profits from institutional bank products delivered to institutional clients fell sharply.

The group also noted that it continued to build up loan loss reserves, more than tripling its pre-tax loan loss provisions to $126m in the latest quarter compared with $39m a year ago.

Manufacturers Hanover, the fourth largest US banking group, reported a modest 2 per cent increase in first-quarter net earnings to $102.1m or $2.14 a share compared with $100.2m or $2.01 a share in the year ago period. The New York group said the results reflected a continuing shift in the mix of its assets along with growth in other operating revenue.

Net interest revenue increased by 3.6 per cent to $559.8m from $540.4m in the same period last year, reflecting an increase in average earning assets to $68.1bn from $65.5bn.

In contrast with most other big US banking groups, Manufacturers Hanover said average total loans fell slightly to $36.6bn in the latest quarter, down from $37.9bn in the 1985 fourth quarter, and that the net yield on these loans fell to 3.22 per cent from 3.35 per cent a year ago.

Other operating income increased by 16.7 per cent to $262.2m from $224.7m last year, buoyed by significant gains in credit card fees, trust fees and bond trading. These gains more than offset lower profits from securities sales, which fell to $8m from $22.4m a year ago, and lower foreign exchange results.

Security Pacific, the seventh largest US banking group, said first-quarter net earnings increased to $87.9m or $1.11 a share, up from $73.5m or $1 a share a year ago.

Mr John Kooken, Security Pacific's chief financial officer, said: "Earnings growth reflected both a large increase in non-interest income, up 30 per cent, and a 12 per cent growth in non-interest income. Included in non-interest income was a $34.7m pre-tax gain on the previously announced sale of RMJ Securities."

Security Pacific said net interest income increased to $441.3m from $392.3m while non-interest income, swollen by the RMJ Securities sale and a $15.9m gain on the sale of securities, compared with $0.3m a year earlier, increased to $294m from $226.7m.

The group noted that its provision for possible credit losses was increased by $37.4m to $118.2m in the latest quarter, while net charge-offs grew to $86.7m up from $78.7m a year earlier.

Wells Fargo, the 13th largest US banking group, which will rank number 10 after the planned $1.07bn acquisition of Crocker from Midland Bank of Britain, said its first-quarter net earnings increased to $51.6m or $2.25 a share, up from $45m or $1.95 a share a year ago.

Mr Carl Reichardt, chairman, said the company's performance continued to benefit from growth in net interest income and control of non-interest expense.

Net interest income increased by 8 per cent to $324.5m from a year earlier, partly reflecting a widening in the interest rate spread to 4.92 per cent from 4.81 per cent coupled with a 5 per cent increase in average total loans to $24.4bn.

The group's provision for possible loan losses dropped to $92.5m in the latest quarter from $128.6m a year earlier

Quotron rejects Citicorp cash offer

By Paul Taylor in New York

QUOTRON SYSTEMS, the Los Angeles electronic financial information group, formally rejected Citicorp's unsolicited $19-a-share cash takeover bid which it described as inadequate.

Quotron, which had earlier indicated that it would probably reject the $680m Citicorp bid unless it was raised, reported a 4.6 per cent increase in first-quarter net earnings to $6.09m or 18 cents a share compared with $5.822m or 17 cents a share a year ago on revenues which grew to $55.4m from $48.8m.

Mr Milton Mohr, Quotron's chairman and chief executive, commenting on the board's unanimous decision to reject the Citicorp approach, said intensive discussions between representatives of the two companies had taken place in the last few days but that these discussions did not result in Citicorp increasing its bid.

Quotron will continue to consider "alternative courses of action to maximise shareholder values," he said. Last month, when Quotron initially indicated its dissatisfaction with the bid following an extended board meeting, the group announced it had retained Goldman, Sachs, the Wall Street investment bank, to help the board on "other alternatives for the company, including remaining independent or developing relationships with others."

Quotron's early response appeared designed to put pressure on Citicorp to sweeten its offer. It also appeared to reflect Quotron's concern about the negative reactions voiced by some of the company's large customers who are Citicorp's competitors. Quotron's 80,000 terminals are widely used by stockbrokers, institutional investors and others.

Boise Cascade suffers from sluggish market

BY OUR FINANCIAL STAFF

BOISE CASCADE, the US forest products and building materials group, suffered a fall in net profits from $33.2m to $25m in the first quarter of 1986, or from $1.12 to 83 cents a share. Sales were $918.6m, compared with $957.5m. For all of 1985 net profits were $104m on revenues of $3.7bn.

Mr John B. Fery, chairman and chief executive, said sluggish market conditions and suppressed the results.

Income from the paper-making operation was substantially lower. Uncoated white papers benefited from stronger demand and slightly higher prices, but coated white papers, newsprint and linerboard continued to suffer from depressed prices.

Excluding a 13 cents a share gain from the sale of the envelope operations a year ago, first-quarter income from packaging and office products improved. Office products distribution posted sharply higher results and income from consumer packaging [illegible] container income was down.

The building products segment showed considerable improvement but the building materials distribution operation was hindered by bad weather.

Mr Fery said the company's performance for the remainder of 1986 would depend largely on the vitality of the economy.

Carson Pirie Scott to consider higher offer

BY OUR FINANCIAL STAFF

CARSON Pirie Scott, the Chicago retailing and food service group, is to consider an increased $470m bid from Baytree Investors, a group of local investors which launched its original bid late last month.

Baytree has raised its offer by $11 a share to $47 a share, consisting of $30 in cash, $10 principal amount of 12 per cent senior convertible debentures and one share in Carson's County Seat Stores, which would be spun off to shareholders.

Carson's shares rose by $3 to $35⅝ in early trading yesterday, some way short of the $47 valuation attached to the latest bid by Baytree.

As with the previous offers, Baytree said its later offer was friendly and conditional on approval by the Carson board. It will seek all Carson's 10m outstanding shares plus shareholders rights issued on April 9 as a poison pill defence against unwanted takeovers.

However, in a letter to Mr Peter Willmott, Carson chairman, Baytree said it would cancel his contract if the bid was successful, and pay him $2m to leave.

NL Industries plans defensive buy-back

BY TERRY DODSWORTH IN NEW YORK

NL Industries, the US oil services and chemicals group which has been the target of a takeover approach from Coniston Partners, a New York investment group, plans to buy back up to a third of its stock in a defensive manoeuvre.

The company's move, which includes the sale of 20 per cent of its chemicals business, was immediately welcomed by Coniston, which said it would drop its proposal to acquire NL for $16 a share in cash and securities – an offer worth $997m.

Under NL's restructuring plan, the public will be offered 20 per cent of the chemicals business, and the proceeds used to buy back shares in the parent.

The group will acquire at least 7.5m shares of its 62.1m shares at between $15.25 a share and $16, and may buy back up to 10m. These acquisitions will be made under auction procedures, in which shareholders who are tendering set their own price and run the risk of rejection. NL added that it would also acquire further shares, up to a maximum of 9.9m, on the open market.

US toy group sold again

By Our New York Staff

F.A.O. SCHWARZ, the up-market US toys group, is being sold to an investment group which includes some of its top management only a year or so after it was acquired by Christiana Companies.

The deal, for an undisclosed sum, comes shortly after the acquisition of Christiana by the Western Savings Association of Dallas, which says it is more interested in the group's property developments. The investment team taking over the store will be led by Mr Peter Morse, a Philadelphia investment banker, and Mr Peter Harris, Schwarz's president and chief executive.

Schwarz, the Fifth Avenue store which is regularly inspected by visiting dignitaries, has in recent years been hit by the rise of discount toy chains.

Midland Bank SA lifts earnings

BY PAUL BETTS IN PARIS

MIDLAND BANK SA, the French subsidiary of the British clearing bank, reported a sharp rise in consolidated net earnings to FFr 105.8m ($14.4m) last year from earnings of FFr 52.3m the year before.

The French bank is 79 per cent owned by Midland Bank and is the only foreign-controlled bank with a full Paris stock exchange listing. The French subsidiary said it would increase its dividend to FFr 7.50 a share from FFr 6.30 a share last year.

The net profits last year included FFr 40.3m in exceptional items including capital gains from the flotation of Banque Internationale de Placement, which reduced Midland's stake from 34.5 per cent to 20.4 per cent. The French bank also said that net earnings came after higher bad debt provisions of FFr 46.7m, compared with provisions of FFr 28.4m the year before.

Capital resources nearly doubled from FFr 530m to FFr 940m largely through the issue of FFr 300m of convertible perpetual floating rate notes. Total assets were reduced from FFr 20.3bn to FFr 19.4bn.

The bank's growth continues to be based on its Treasury and capital market activities and on specialised lending and financial services to individuals, according to Mr Leon Bressler, the chairman of subsidiary's executive board.

WEST GERMAN STORES GROUP IS UNDERGOING BIG CHANGES

Hertie races to update image

BY RUPERT CORNWELL IN BONN

THE NEWS was hardly a surprise, but the shock was no less for that. On March 19, and after five years of delay, the day of reckoning finally arrived for Hertie, the third-largest West German department store group, boasting sales in 1985 of DM 5.9bn ($2.6bn).

After accumulating losses of DM 517m between 1977 and 1984, one of the most familiar names on German shopping malls could take no more. Mr Jürgen Krüger, Hertie's chief executive, announced that a batch of eight stores would shut their doors this year, on top of seven already facing a similar fate. For many of those that remain big changes are on the way.

The 15 closures alone will cost 3,900 jobs: and the unions, not surprisingly, are up in arms. West German welfare provisions are generous, and redundancy payments following the shutdowns will be expensive. But why, ask the unions, should employees pay the price for years of management failure?

It is hard to quarrel with them. Hertie's problems have been long drawn out. They lack the epic qualities of the foundering of AEG, the electrical concern, in 1982, or the political explosiveness of the current plight of the union-controlled Neue Heimat property group. But poor management has been a factor common in all three cases.

The modern Hertie is effectively the creation of one man, Mr Georg Karg, who acquired control in the late 1930s after its Jewish founders, the Tietz family, were hounded out by the Nazis. Secretive and autocratic, he rebuilt it after the war, prospering mightily as the German economy recovered.

Total Sales	
	DM bn
1981	6.21
1982	6.15
1983	6.08
1984	5.72
1985	5.87

He only handed over control to his son Hans-Georg in 1972, a few days before his death at the age of 84. Even today, 97.5 per cent of Hertie's DM 300m capital is owned by a trust chaired by Hans-Georg.

Like most tales of corporate woe, the causes of Hertie's misfortunes are a mixture of the general and the particular. All big German store groups have had a rough time in recent years, squeezed between cheap hypermarkets, conveniently sited outside town centres, and smaller shops, offering a specialist choice in a given field that a general department store cannot match.

But while Kaufhof, Karstadt and Horten, the other three of the "big four" have with varying degrees of difficulty held the line, Hertie has not.

Its string of losses started in 1977. In 1981 Mr Bruno Lippman moved across from Grundig to become executive chairman, with the task of putting things right. In the event he made them worse. Instead of streamlining and rationalising to face the challenge of the discount chains and hypermarkets, he took as his model Hertie's biggest and most celebrated store, the opulent Kaufhaus des Westens (KaDeWe) on the Kurfürstendamm in Berlin.

But he did not provide the sales expertise and the right goods to match. All too often, Hertie secured the worst of both worlds – high prices coupled with poor service. A management over-centralised in Frankfurt, out of touch with the realities on the ground, did not help either. In February 1985 Mr Lippmann departed, his last legacy a record 1984 loss of DM 146m.

His successor was Mr Krüger, who had been at Kaufhof and then the aggressive Metro wholesaling chain before becoming sales director of Hertie in 1984. A still more vivid symbol of change came in March when Mr Guido Sandler, the 57-year-old head of Oetker KG, a thriving family-owned food concern, took over from Mr Hans-Georg Karg at the head of Hertie's supervisory board.

For Mr Krüger, advocate of a "down-market" rather than "up-market" solution to Hertie's troubles, there was little time to waste if the group's sickness was not to become terminal. The 15 closures, mostly in the north of the country, will eliminate DM 620m, or more than a tenth of total sales.

More important, though, the stores involved accounted for DM 309m of the deficit between 1977 and 1984. Hertie reckons it should rid itself of DM 40m of losses a year. But even assuming the cuts survive the union hostility, they are only a first step.

Other loss-makers among Hertie's surviving 109 stores will be drastically reshaped, to concentrate on goods with a proven market. A previously wayward buying-in policy will be streamlined, and head office costs are due to be slashed. Only in this fashion, argues Mr Krüger, can the future of Hertie, and the jobs of its remaining 38,000 workers be preserved. The cost of the reshaping package is put at DM 240m.

This year undoubtedly will see a further loss, on top of the DM 100m or more estimated to have been run up in 1985. Indeed, the grand total for a decade could total as much as DM 650m. It is only thanks to the profits accumulated in the fat years, and the value of sites and store buildings, that Hertie has been able to withstand the haemorrhage for so long.

But if the Krüger therapy is a last resort, there are signs that it is happily timed. Despite the woes, Hertie managed a 3.3 per cent rise in turnover in 1985, outperforming not only its direct rivals but the retail sector as well.

After several years of decline, real personal income, and with it consumer spending, is likely to rise sharply in West Germany in 1986, and retailers can only benefit. Hertie is hoping to be back in the black by the end of 1987. It may not signal a return to the 1950s and 1960s, but at least it will be a change.

Venezuela to buy into US oil refinery

By Joseph Mann in Caracas

PETROLEOS de Venezuela (PDVSA), Venezuela's national oil company, will invest the equivalent of $30m to purchase a 50 per cent interest in a Texas oil refinery owned by the Union Pacific Corporation.

Mr Brigido Natera, president of PDVSA, and Union Pacific's vice chairman, Mr William T. Smith, signed a letter of intent covering the refinery transaction. Aside from purchasing an interest in the refining plant, the Venezuelan oil company will gain access to the facility's distribution system.

The refinery, located in Corpus Christi, Texas, is owned by Champlin Petroleum Co. which in turn is a subsidiary of Union Pacific. Venezuela plans to supply up to 160,000 barrels per day of crude to the Champlin refinery.

The Champlin purchase is the fourth investment in foreign oil operations announced so far this year by PDVSA and forms part of the Venezuelan Government's new strategy of developing investments in downstream petroleum activities outside Venezuela.

The South American republic depends heavily on oil exports for its revenues, and government planners believe lower oil prices may cause export income to drop this year by as much as $5bn below previously projected levels.

Earlier this year the administration of President Jaime Lusinchi said PDVSA would invest approximately $390m in oil refining, transportation and distribution companies in West Germany (Veba Oel), Sweden (Nynas Petroleum) and the US (Citgo and Stewart Petroleum).

The largest investment revealed so far has been PDVSA's commitment to pay $300m for a half interest in Southland Corporation's subsidiary, Citgo Petroleum.

These investments provide Venezuela with assured markets for an important share of its exports of crude oil and refined products, and provide some protection against competition from Mexico in the key US market.

Honeywell first-quarter profits decline 43%

BY OUR FINANCIAL STAFF

HONEYWELL, the Minneapolis-based computer and control systems group, has suffered a 43 per cent decline in first-quarter profits due to continued weakness in US computer markets.

Net earnings plunged from $46.2m or $1 a share to $26.2m or 57 cents, well below some Wall Street estimates. Sales edged up from $1.48bn to $1.5bn.

Mr Edson Spencer, chairman and chief executive, said information systems orders, revenue and operating profit were below last year's levels, although international computer business results were up.

Operating profits in control products – microelectronic and electromechanical components for a wide range of markets – also fell, due to weakness in industrial components markets. But profits in control systems, which are larger, more sophisticated products, were even with last year.

In contrast the aerospace and defence business, which produces guidance systems for aircraft and ships, recorded improved profits.

Mr Spencer said the company continued to believe it could achieve moderate earnings growth this year, provided domestic computer markets improved in the second half. "We don't expect a significant change in the industry until then," he added.

Last year Honeywell had net earnings of $281.6m or $6.16 a share.

● GCA, the struggling US manufacturer of semiconductor industry equipment, had an expected loss of $145.5m or $10.47 a share for 1985, compared with profits of $28.6m or $2.10 in 1984.

The group was hit by the depression in the US semiconductor industry, and in November failed to meet an interest payment on its notes due to a liquidity crisis. The 1985 accounts have been qualified by Arthur Young, the company's auditors.

The net loss includes a $51.2m deficit from discontinued operations, while the loss from continuing operations includes $46.8m associated with a business realignment.

GCA, which has undergone a big management shakeup in the past few months as its troubles have mounted, said its year-end order backlog for continuing operations was $63m, compared with $140m a year earlier.

Mr Richard Rifenburgh, the company's new chairman, said action taken by GCA in recent months would mean improved results for the first quarter (of 1986) compared to results of the final two quarters of 1985.

Total sales fell to $156.5m last year from $240.1m.

United Technologies' earnings fall 25%

BY OUR NEW YORK STAFF

UNITED TECHNOLOGIES, the seventh largest US manufacturing group, reported a sharp 25.5 per cent decline in first quarter net earnings, citing weaker year-on-year performance by its Pratt and Whitney engine group, shipment delays at Sikorsy and a variety of realignment and programme start-up costs at other units.

United Technologies said first quarter net earnings fell to $127.6m or 93 cents a share from $171.34m or $1.30 a share last year on sales which dropped to $3.46bn from $3.81bn. The Hartford group noted that its latest earnings were boosted by $10.8m as a result of pension accounting changes which reduced its pension costs in the 1986 first quarter by $24m.

Mr Robert Daniell, president and chief executive of United Technologies, which earlier this year led the consortium which emerged as the victor in the bitter battle for Britain's Westland helicopter group, said: "Results were good at Pratt and Whitney but not equal to the unusually strong performance in last year's first quarter. In addition, shipment delays at Sikorsky and a variety of realignment and programme start-up costs at Norden and Hamilton Standard increased pressure on the 1986 first quarter.

Automotive products continued in strong demand, and profits improved at the Carrier and Otis units. Overall, he said, the group expects improvements later this year.

For United Technologies 1986 will be a year of transition. "We are still divesting some businesses. At the same time, we are organising initiatives such as space transportation systems, which includes former Norden units.

"We believe these actions are necessary for a better positioned company in 1987."

Lombardini buys 51% of Slanzi

By Nick Garnett in London

LOMBARDINI, Italy's leading maker of small diesel engines, has purchased a 51 per cent controlling interest in Slanzi, a much smaller Italian engine builder for L2bn ($607.1m).

Lombardini said this would give it access to a broader power range of engines and it would also benefit from the flexibility of Slanzi's manufacturing plant which is more suitable to small series production. Engines made by Slanzi, which has been in financial difficulties, will continue to be sold under its own name.

Lombardini makes diesels of 5 horsepower to 70 hp for agricultural and industrial applications and claims to be the world's third largest producer in these power bandings. It makes 130,000 engines a year in Italy and has a further 70,000 produced worldwide under licensing arrangements.

Viag plans to raise payout

By Our Financial Staff

VIAG, the state-owned West German energy, aluminium and chemicals concern which is to go public in June, saw earnings slip marginally last year but plans to increase its dividend.

At a pre-flotation presentation Viag announced group net profits of DM 122m ($53m) for 1985 after DM 125m in 1984. It paid a DM 4 per share dividend for 1984 results, and would "add a bit" to the payment for last year. Turnover rose to DM 12.2bn from DM 11.96bn in 1984.

The West German Government will float 40 per cent of Viag's DM 580m capital on the stock market with the offer open for subscription from June 3 to June 5. Viag also plans a convertible bond issue "some time in the future."

TRW ahead after restructuring

BY OUR NEW YORK STAFF

TRW, the US diversified manufacturing group, reported a 9.3 per cent advance in first-quarter net earnings as sales grew by 4.1 per cent. Net earnings per share soared by 36.5 per cent, reflecting the impact of an aggressive share buyback programme.

Net earnings increased to $61.9m or $2.02 a share fully diluted, compared with $56.6m or $1.48 a share, fully diluted, a year ago, as sales increased to $1.49bn from $1.43bn, as reported briefly yesterday.

Mr Ruben Mettler, chairman and chief executive, said: "Our electronics and space systems and car and truck segments had a very good first quarter. Our other businesses, primarily in the depressed energy services industry, experienced lower results. We are pleased by a good start on the year and expect 1986 to be a strong year for TRW."

First-quarter sales in electronics and space systems increased 3.5 per cent to $812m from $784m, while operating profits advanced 5.7 per cent to $66.5m from $62.9m. The group notes that the gain came despite a weak market.

In the car and truck segment, first-quarter operating profits jumped 34.5 per cent to $71.9m from $53.5m.

However, TRW's other operations suffered mainly as a result of the depressed world energy market and completion last year of a major Chinese contract. In the other business segment sales fell 27.2 per cent to $74m from $102m a year earlier, while operating profits plunged by 55.4 per cent to $6.2m from $14m.

N. AMERICAN QUARTERLIES

ARCHER-DANIELS-MIDLAND
Soybean, corn refining

Third quarter	1985-86	1984-85
	$	$
Revenue	n/a	n/a
Net profits	49.1m	31.6m
Net per share	0.48	0.31
Nine months		
Revenue	n/a	n/a
Net profits	166.9m	112.4m
Net per share	1.63	1.11

BOMBARDIER
Transportation eqpt.

Fourth quarter	1985-86	1984-85
	C$	C$
Revenue	195.5m	161.8m
Net profits	3.7m	3.9m
Net per share	0.29	0.36
Year		
Revenue	656.8m	515.5m
Net profits	16.1m	10.1m
Net per share	1.33	0.90

CORESTATES FINANCIAL
Banking, financial services

First quarter	1986	1985
	$	$
Net profits	32.2m	26.7m
Net per share	0.99	0.81

CPC INTERNATIONAL
Grocery products, milling

First quarter	1986	1985
	$	$
Revenue	1.06bn	1.02bn
Net profits	38m	33.2m
Net per share	0.78	0.66

FIRST WACHOVIA
Banking

First quarter	1986	1985
	$	$
Net profits	46.9m	52.9m*
Net per share	0.87	1.00*

* Includes $9.2m or 18 cents gain from subsidiary sale.

GAF
Chemicals, building materials

First quarter	1986	1985
	$	$
Revenue	175.9m	175.9m
Op. net profits	14.9m	11.1m
Op. net per share	0.82	0.62

INTERCO
Clothing, retailing, footwear

Fourth quarter	1985-86	1984-85
	$	$
Revenue	583.1m	580.9m
Net profits	30.9m	20m
Net per share	1.95	1.26
Year		
Revenue	2.51bn	2.63bn
Net profits	92.3m	72.2m
Net per share	5.84	4.45

NYNEX
Telecommunications

First quarter	1986	1985
	$	$
Revenue	2.7bn	2.6bn
Net profits	296.5m	257.4m
Net per share	1.47	1.28

INTL. COMPANIES & FINANCE

Tham faces five charges concerning Pan-Electric

By Chris Sherwell in Singapore

MR PETER THAM, the fugitive Singapore businessman arrested on Monday in connection with the collapse of Pan-Electric Industries and the country's subsequent stockbroking crisis, was yesterday charged with two counts of criminal breach of trust and three of forgery.

No plea was taken from Mr Tham, who faces penalties ranging up to life imprisonment on each of the counts. He appeared in Singapore's Subordinate Court looking drawn after hours of questioning by the Commercial Affairs Investigation Department, whose officers brought him back from Tokyo.

Mr Tham is the third person to face charges which could lead to a prison sentence on conviction over last November's Pan-Electric debacle, which has damaged the island state's stock market, closed several broking firms and hurt the banking sector.

In February Mr Tan Kok Liang, a Pan-Electric director, was jailed for 15 months on two charges. Yesterday Mr Tan Koon Swan, the Malaysian businessmn and politician, sought postponement of his own trial on 15 counts which is due to start next month.

All three firms, in which Mr Tham played a key role, have collapsed since he mysteriously disappeared from Singapore last year. They are Pan-Electric, a quoted marine salvage, property and hotel company, Growth Industrial Holdings, a quoted holding company with a 31.6 per cent stake in Pan-Electric, and Associated Asian Securities, a broking firm now under stock exchange management.

According to charge sheets presented in court yesterday, Mr Tham is accused of:

● abetting Tan Kok Liang in authorising the December 1984 payment of S$1.95m (US$89.4m) belonging to Associated Asian Securities for fictitious share transactions;

● authorising Orchard Hotel, of which he was a director, to pay S$210,000 to Associated Asian Securities, a broking firm 1984 to settle another person's debts with the broking firm;

● forging, along with a Mr Krishna Kumar, three [illegible] documents purporting to be shares in Ambassador Hotel.

These three offences are alleged to have occurred in September 1979.

Sony supplier adapts to rising yen

Carla Rapoport in Tokyo reports on radical changes at a Japanese lens manufacturer

THE SCENE has to be worthy of a business person's worst nightmare. A company's major customer decides that purchase prices have to be cut by a third or it will look elsewhere for its parts.

In Japan, land of the rising yen, that nightmare is currently being repeated up and down the country. Japan's major exporters are not raising their foreign currency prices in line with the appreciation of the yen.

Instead, most have opted for accepting reduced profits while they work on a variety of schemes aimed at minimising the effects of the higher yen. Included among these is squeezing lower prices out of suppliers.

Most suppliers are reluctant to talk about this process, just as most large companies are reluctant to confirm they are doing it. Business in Japan is a club-like affair. Talking openly about the customer-supplier relationship is seen by most as a betrayal of trust.

However, a number of major suppliers have raised money in overseas markets in the last few years and these companies, with sizeable foreign holdings, are more amenable to questions.

A member of this group is Tamron, which sells about 60 per cent of its output to Sony, the electronics group. Tamron, founded in 1950, makes lenses for Sony's portable video cameras, as well as camera lenses which it exports.

With sales of around Y20bn ($11.2m) in 1984, it raised about Y8bn in a third party placement at the end of that year. Most of that placement went to foreign investors. Foreigners now hold about 25 per cent of the company, which is listed on Japan's over-the-counter market.

According to Mr Hiroshi Suzuki, general manager of Tamron's financial department, the boom from Sony on product price reductions has not yet formally dropped. "But we expect to have that request, so we are preparing," he says.

The problem ahead of the group is not so much one of reducing component prices but of helping Sony win a battle in the consumer marketplace.

The product is the 8mm portable video camera, which Sony hopes will remake its fortune and restore prestige after the flop of its Beta format video cassette recorder (VCR). The tussle over the growing market for portable video cameras, called camcorders, has pitted Sony against rivals like JVC, which is offering a cheaper camcorder on the popular VHS format. Sony's 8mm product is smaller and offers high quality picture and sound.

"Sony's product has to be very competitive. The rival products will cut their prices by 35 per cent in one year," says Mr Suzuki. As a result, Sony's product has to drop in price by at least a similar margin to match its Japanese competitors and hold its own against newcomers, like the Koreans.

Tamron's solution is to develop precision lenses for the Sony product out of plastic, instead of glass. The company intends to commit Y1bn to the change-over to plastic lenses and says the process will take a few years. It will also cut off a large amount of orders from Tamron's glass suppliers.

"The plastic lenses will be lighter, and you won't need so many to do the same job as glass, so this reduces the cost of production," says Mr Suzuki. The disadvantages, he says, are that plastic is more fragile than glass and a more difficult material with which to provide the guaranteed precision needed in lenses. As plastic scratches more easily than glass, new coatings will also have to be developed, he says.

Mr Suzuki shows no visible signs of distress over making this change, but Tamron's success is so closely tied to that of Sony that it sees no reason to complain. In 1984, for example, its pre-tax profits jumped by 164 per cent to Y2.1bn on sales up 46 per cent to Y20bn, thanks to the success of Sony's video products.

But when Sony abandoned its Beta video camera for the 8 mm format in early 1985, sales and profits in that year took a beating.

Investors who took up the third party placement at nearly Y3,000 a share in late 1984 have cause to feel somewhat let down. In a thinly-traded market Tamron's shares are now trading at around Y1,800. Nonetheless, foreign analysts are increasingly confident about Tamron's future prospects.

In a recent note on the company, Mr Bruce Johnson of James Capel's Tokyo office forecast that sales this year would recover to Y21.5bn with net profit doubled to Y600m, from Y300m last year.

Mr Johnson predicts that the plastic lenses will be 60 to 70 per cent cheaper than glass lenses. "Within five years' time," he says, "there is the prospect of being able to produce complete plastic lens assemblies for 50 per cent less than today's prices. However, many sub-contractors may well be out of business by that time."

Fast-moving Singapore Bus picks up more passengers

CHRIS SHERWELL in Singapore reports on the only company so far this year to declare cheerful progress in a depressed corporate climate

IN THE flood of depressed Singapore corporate results published recently for 1985, only one company reported a significant increase in annual profits from its core business. What's more, it expects to report a further improvement in 1986.

The company is the island state's principal bus services operator, known formally as Singapore Bus Service (1978) Ltd ever since it was floated on the local stock exchange eight years ago.

In stark contrast to the Big Four local banks, the marine sector, engineering and construction companies and hotels and property groups — all of which have reflected Singapore's economic downturn with falls in earnings — Singapore Bus has recorded a 39 per cent rise in pre-tax profits and a 45 [illegible] able level. On the fact of it, the numbers themselves are not large — attributable profit, for example, rose to S$9.5m on turnover of S$321m (US$147m). But Singapore Bus is starting to look a little like another darling of the local market, namely Singapore International Airlines. Not only is Singapore Bus performing well; it is doing better than most people realise.

The immediate reason is higher passenger numbers. More buses have been deployed to serve the new housing estates which have mushroomed around the island as the Government has boosted construction activity to combat the recession.

Passenger numbers were up 6 per cent last year, and will increase again this year, though the company says by not as much. Services have also become more efficient as SBS has moved to one-man operated buses and upgraded its vast fleet, which numbers close to 3,000 vehicles.

Adding to the present momentum, however, is a fall in key costs through lower fuel prices, caused by the world oil glut, and a government-ordered cut in employer contributions to the Central Provident Fund, a compulsory employees' savings scheme. SBS employs some 8,000.

The lack of real competition also helps, and will continue to do so until the country's Mass Rapid Transit metro project comes into operation in 1988. At that point much will depend on the outcome of a special integration study now under way to work out fares and routes for SBS, once the MRT is working.

That SBS is doing better than its profits suggest is revealed by a closer scrutiny of the figures. The company's pre-tax profit last year, for example, was achieved after a depreciation charge of S$40m. At the same time interest on its borrowings was cut by almost half to S$1.35m.

BHP, Elders deny share deal co-ordination

By Our Financial Staff

BROKEN HILL Proprietary and Elders IXL, the two big Australian companies whose recent purchases of one another's shares has built up a formidable pattern of defensive cross-holdings, yesterday reiterated their denials that the transactions had been anything other than coincidence.

Mr John Elliott, chairman of Elders, asserted that there was no need for the public hearings already announced by the National Companies and Securities Commission into the recent share dealings.

Mr Elliott, who is due to press his company's bid for Allied-Lyons before the UK Monopolies and Mergers Commission this week, said he was convinced that BHP's shares were worth A$9-10, against the A$7.36 Elders paid for some 19 per cent of BHP last week.

Mr Robert Holmes à Court, whose Bell Resources' A$7.70 a share bid for BHP remains on the table, said yesterday he would co-operate fully with the NCSC inquiry.

BHP shares closed unchanged at A$7.26 in Sydney last night.

INTERNATIONAL COMPANIES and FINANCE

Tendency for aggressive pricing continues

BY CLARE PEARSON AND ALEXANDER NICOLL

THE DOLLAR Eurobond market yesterday shrugged off the US air strike on Libya, although secondary trading was quiet and cautious. Traders note that the market's underlying tone bullish, and this was enforced yesterday by the strength of the dollar and by poor US economic figures. Meanwhile, in the primary market, borrowers' enthusiasm for launching new bonds appears unabated, though the tendency for deals to be priced aggressively continues.

Nomura International had a particularly busy day, launching three bonds. One of these was a "Treasury Index Bond" for General Motors Acceptance Coropation. The $200m three-year bond pays a coupon of 10 per cent. The issue price is 100¾.

The redemption rate will be determined by a formula incorporating the price of the 30-year US Treasury bond in three year's time, involving both a fixed and variable redemption amount. Redemption will be at par if the semi-annual yield on the Treasury is 7.1 per cent.

Late in the day, Mitsui Corporation launched another bond with redemption value linked to US Treasuries, but with an issue amount of $50m. In the case of this bond, which has a three-year maturity, redemption will be at par if the semi-annual yield on the Treasury is 7.25 per cent. Like GMAC's bond, it will be above par if the yield is below this, and vice versa.

A 20-year bond was launched for Electricite de France, bearing a 7⅞ per cent coupon and priced at 101½. The bond is callable after 10 years at 104, and thereafter at declining premiums. Nomura International quoted a trading level at a discount equipment to full fees of 2¾ per cent.

Fuso Pharmaceutical announced a $50m par-priced five-year bond with warrants attached to purchase the company's equity. Final terms should be fixed on April 22, but the indicated coupon is 3⅞ per cent and the premium over the share price at which the warrants may be exercised is expected to be 2½ per cent. The bond aws quoted at a substanial premium to issue price yesterday afternoon.

Merrill Lynch launched a $100m issue for Pennzoil, the Houston-based oil company. The bond has a life of seven years, and was priced at 99½. With a coupon of 9 per cent, the bond provided at issue a spread taking in 1⅞ per cent fees of 225 basis points over comparable US Treasuries. This is the first coupon of 9 per cent that the market has seen for a while, and ought to appeal to banks wishing to swap into floating-rate funds.

IKB Finance, the West German bank that specialises in lending to German industry, issued a $125m nine-year bond. The bond has a coupon of 7½ per cent and a price of par. Morgan Stanley led the deal. Bankers thought the terms tight.

Salomon Brothers International launched a $125m seven-year bond for Betawest Properties, wholly-owned subsidiary of US West, the US telecommunications company. The bond carries a coupon of 7¾ per cent and was priced at par. The lead manager said the bond was selling steadily and reported a bid price at a discount equivalent to the fees of 1⅞ per cent.

A small issue was launched into the dollar floating-rate note sector, neglected by borrowers recently as they have been drawn by the low coupons possible in the fixed-rate market. Sparekassen Bikuben, the Danish savings bank, issued a $40m bond paying interest at ⅛ point over six-month London interbank offered rate. Fees were 35 basis points on the non-callable bond. Lead-manager Merrill Lynch said the issue had been placed with a group of co-managers.

After the hectic conditions of last week, Ecu bonds were reported to be trading quietly, with prices easing by about ⅛ point during the day. Two new borrowers, however, launched bonds with coupons below 7 per cent, which bankers say must now crumble as a resistance level.

Banque Internationale à Luxembourg issued an Ecu 50m five-year bond for Finance for Danish Industry, with a coupon of 6¾ per cent. Sweden later issued an Ecu 150m 6¾ per cent 10-year bond, lead-managed by Banque Paribas Capital Markets. Both were non-callable. They were bid at discounts at or slightly below total fees yesterday afternoon.

The Euroyen sector saw a small new issue for the City of Gothenburg. The Y10bn 5¾ per cent bond has a life of five years. Yamaichi International (Europe) was lead manager.

There were two Australian dollar issues. State Bank of New South Wales launched a A$50m seven-year bond with a coupon of 14½ per cent, priced at 104¾. The bond will be callable after four years at 101½, and thereafter at declining premiums. There are warrants attached, exercisable into a similar but non-callable bond. Apart from the warrants, the issue will be fully fungible with a previous issue by the borrower. Lead-manager Morgan Stanley reported good demand.

Wuerttembergische Kommunale Landesbank Girozentrale launched a A$30m four-year bond with a coupon of 12½ per cent. Issue price was 101. Deutsche Bank Capital Markets led the deal which was launched too late to trade actively.

In the West German market, Styria Water and Electricity launched its first D-mark issue with the guarantee of the Austian province. The DM 100m 10-year deal was led by Dresdner Bank, and met a lukewarm reecption with a coupon of 5¼ per cent and par pricing. It is callable from 1993.

The D-mark market was nervous because of the US/Libyan conflict, and prices fell about ⅛ point in fairly low volume. The DM 150m 30-year tranche of Hydro-Quebec's issue launched on Monday was well received and traded around issue price. Belgium's DM 200m zero-coupon issue rose to 56½ from an issue price of 52.6.

Malaysia's credit standing may be reassessed

BY WONG SULONG IN KUALA LUMPUR

NEWS REPORTS quoting Dr Mahathir Mohamad, the Malaysian Prime Minister as saying Malaysia was seeking to reschedule its 43.6bn ringgit (US$ 16.7bn) external debt, which were subsequently denied, have served to underline the country's economic and political problems, and could hasten a reassessment of its international credit standing, bankers here say.

The reports caused trading in Malaysian floating-rate notes and other securities to come to a standstill last Monday in Hong Kong and Singapore.

The Prime Minister's office quickly issued a statement saying Dr Mahathir had been misquoted, and gave an assurance that Malaysia would honour all its debts and make repayments on time.

"In all probability, Dr Mahathir was referring to refinancing rather than rescheduling when he made his off-the-cuff speech in Malay at the Bumiputra (Malay) businessmen's seminar last Saturday, but the misquoted reports had the effect of bringing up to the surface the underlying nervousness about the country's future prospects," said one banker.

He pointed out that many foreign banks had already downgraded Malaysia's rating, and had been quietly cutting down their exposure to the country in recent weeks.

Until a year ago, the Malaysian government had been praised by international bankers for the determined way it had reduced its foreign borrowings, and had cleverly taken advantage of lower interest rates in 1984-85 to refinance 6.4bn ringgit of its debts. This, said the Malaysian central bank, had resulted in a cost saving of 217m ringgit.

But a series of economic and political problems, coming one after another — ranging from the Bank Bumiputra loan scandal, the upheavals in the local stock market, the sharp price falls in commodity exports, the Sabah political crisis, and the sudden resignation of Datuk Musa Hitam, Dr Mahathir's deputy — have served to bring about a national crisis of confidence. The sharp fall in commodity prices could mean a loss of 6bn ringgit to 8bn ringgit for Malaysia in 1986, said the central bank.

To make matters worse, as far as debt repayments are concerned, the ringgit has depreciated by a good 20 per cent over the past six months against its composite basket of currencies and as much as 40 per cent against the yen.

At the end of 1985, about two-thirds of Malaysia's external loans were in US dollars, 17 per cent in yen, and the rest in other currencies.

One organisation that has been badly hit by the sharp rise in the yen is the government-owned Heavy Industries Corporation (Hicom), which had external debts of close to 1bn ringgit at the end of 1985, most of them in yen. It is seeking to renegotiate with its Japanese creditors, and has held out the possibility that some of the loans might be converted to other currencies.

Until 1980, Malaysia had a relatively small external debt, but it made a bad miscalculation in trying to spend its way out of recession.

Between 1980 and 1983, the nation's external debt trebled to 31.8bn ringgit and its debt to gross national product ratio shot up from 19.4 per cent to 48.6 per cent.

The debt service ratio rose from 4.3 per cent in 1980 to 14 per cent last year and is expected to rise again this year, but the government's declared policy is to keep the ratio below 20 per cent of gross exports.

Consolidated Murchison hit by increase in rand

BY KENNETH MARSTON, MINING EDITOR

CONSOLIDATED MURCHISON, the antimony and gold-producing member of South Africa's Anglovaal group suffered a setback in March quarter profits to R1.46m (£489,000) from the improved level of R4.13m seen in the previous three months.

In line with the other South African mines, Murchison's gold income has been adversely affected by the reduced price received as a result of the rise in the value of the rand against the dollar. In addition, gold output has fallen with lower ore grades and the tax charge has risen following a fall in offsetting capital expenditure.

The Prieska base metal mine reports a heavy fall in the quarter's earnings to R1.7m from R11m. It stems from lower metal prices and ore grades, coupled with the suspension of zinc sales to a major customer following a dispute which is being taken to arbitration.

Hartebeestfontein, the major gold producer, has seen a sharp fall in by-product uranium income as a result of the late receipts of payments, which will be taken into the current quarter's results. However, net profits have risen as a result of higher capital spending, which is expected to increase to R60m in the current year to June 30.

Labour unrest has been a factor in the results of the Randfontein and Western Areas gold mines in the Johannesburg Consolidated group. Both expect production to return to normal levels by the end of the current quarter.

	Mar qtr. R000	Dec qtr. R000	Sept qtr. R000
Consolidated Murchison	1,457	4,130	1,147
Eastern Transvaal	6,728	8,059	4,929
Hartebeest.	51,403	45,643	32,906
Loraine	7,027	12,116	12,980
Prieska	1,703	10,989	8,988
Randfontein	51,361	84,913	64,758
Western Areas	20,563	24,098	12,856

Nordic Investment Bank to offer continuous notes

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE Nordic Investment Bank is putting together a package of borrowing facilities that will allow it to tap short- and medium-term capital markets continuously in both Europe and the US.

The package involves the addition of a Eurocommercial paper option to its existing $200m programme, as well as the launch of a programme totalling up to $200m in continuously offered medium-term notes.

Taken together the elements in the package will give the bank considerable flexibility in its international borrowing programme, though expectations are that it will concentrate initially on raising funds in the US market.

The bank will be the first non-North American borrower to offer continuously medium-term notes in New York when it launches its programme next month. The notes, carrying maturities of up to 10 years will be put on offer through First Boston and Salomon Brothers, which are also dealers for the US commercial paper programme.

Eventually the bank also expects to sell these notes in the Euromarkets, marking a further spread of this borrowing technique to Europe. First Interstate, the Los Angeles-based bank, this week became the first borrower to tap the Euromarket in this way, although continuously offered notes have gained rapid popularity in the US over the past two years.

The Nordic Investment Bank already has a commercial paper programme in the US, but is now additionally appointing dealers for a complementary Eurocommercial paper programme. They are Credit Suisse First Boston, Swiss Bank Corporation International and Morgan Stanley International.

Trebled net surplus for Ansaldo

By Alan Friedman in Milan

ANSALDO, the Italian state engineering and urban transport systems group, announces more than trebled 1985 net profits of L20bn ($12.4m) for 1985. Turnover was L2,400bn, up 30 per cent.

Mr Gio Batta Clavarino, Ansaldo's chairman, said he hoped to bring the group to the Milan bourse within the next year. Ansaldo Trasporti, the subsidiary which makes urban transport systems and represents 15 per cent of group turnover, would seek a stock market listing this year.

Ansaldo has reduced its workforce from 20,000 to 15,000 in the past two years and says group debt of L1,111bn in 1983 has been completely eliminated. Some 28 per cent of Ansaldo turnover comes from outside of Italy.

● La Metalli Industriale, the copper processing group which last year had L653bn of turnover, is to seek a listing on the Milan bourse.

La Metalli is 78 per cent owned by Societa Metallurgica Italiana, the master company of Mr Luigi Orlando. Gemina, the Milan-based shell company partly owned by Fiat and which also controls the Rizzoli-Corriere della Sera publishing group, owns 14 per cent of La Metalli.

Societa Metallurgica Italiana last year made a net profit of just under L6bn.

Saudi Dutch Bank earnings down 82%

By Finn Barre in Riyadh

AL-BANK AL-SAUDI Al-Hollandi, known as Saudi-Dutch Bank, of Jeddah, reported an 81.8 per cent drop in earnings for the 1985 fiscal year. According to its balance sheet, profits fell from $28.6m in 1984, to $5.2m in 1985.

The bank says the drop in earnings came as a result of raising loan provisions from $9.6m to $19.2m. Total loans and advances were $1.15bn. This gives the bank a ratio of provision to loans and advances of 1.7 per cent.

The board is recommending that no dividend be paid for the year, making it the fourth of the kingdom's 11 commercial banks to pass its dividend.

The bank reported that assets excluding contra accounts, rose 12 per cent to $2.57bn.

Al-Bank Al-Saudi Al-Hollandi is a joint venture 40 per cent-owned by Algemene Bank Nederland, and 60 per cent by Saudi nationals. It is capitalised at $57.5m.

Standa cuts workforce

By Our Milan Correspondent

STANDA, the retailing subsidiary of Italy's Montedison group, has sacked 2,900 employees in a move to improve profitability and efficiency. The lay-offs represent a 20 per cent reduction in Standa's workforce.

Mr Giuseppe Garofano, managing director of Meta, the Montedison holding company which controls Standa, said that letters went out to the laid-off staff several weeks ago. He said that of the 2,900 employees dismissed, some 1,750 had already been on part-time state subsidised lay-off since 1981.

Standa last year suffered a five per cent drop in net profits to L25.6bn. Turnover was L2,470bn. Standa has 275 outlets in Italy and several Euromercato hypermarkets.

Germany to tighten bank rules

BY JONATHAN CARR IN FRANKFURT

WEST GERMAN banking supervisors aim to decide fairly soon—probably within the next few months—on new rules to take account of the risks involved in off-balance sheet business.

This emerged after a meeting yesterday in Berlin between representatives of the Federal Credit Supervisory Office and the German banking associations.

The key aim of the supervisors is to ensure that banks which underwrite Euronote issuance facilities have adequate capital backing. The banks agree in principle that some new rule may be needed, though not one as tough as the Supervisory Office suggests.

The authorities propose that half of the banks' obligations under these facilities be counted as loans for the purpose of calculating capital-to-lending ratios. The banks argue that only 25 per cent should be counted.

So far these back-up facilities have been treated as off-balance sheet business and hence have needed no capital backing. Both the Bundesbank and the Supervisory Office have increasingly warned of the potential risks involved, as have supervisors in other industrial countries.

The steps proposed by the German supervisors are similar to those announced last year by the Bank of England, though somewhat tougher than those proposed in Japan. The German banks argue that they should not be burdened by new regulations harsher than those faced by their main foreign competitors.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on April 15

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

How Morgan used swaps to reduce financing costs in four currencies for a major U.S. corporation

Arranging complex swap transactions involves Morgan officers around the world. A few members of a typical team are shown here. Meeting in London, from left, are Conrad Voldstad, Michael Enthoven, and Peter Bernard. In New York are Thomas Kalaris, Christopher English, and T.J. Lim.

The Morgan Bank is a world leader in the swap market. More and more of the largest multinationals are choosing us to arrange complex, innovative swaps that reduce borrowing costs and increase control over interest-rate and foreign currency exposures.

A major Fortune 500 corporation, for example, recently sought ideas on providing some $80 million of funding for subsidiaries in four European countries. Morgan's international funding experts, including swap teams in New York and London, quickly structured an innovative, cost-effective package involving a bond issue plus 13 swaps. Morgan got the deal.

Arranging the deal

First we identified the least expensive dollar source of funding for the company—a dollar-yen dual currency issue. This involved a then relatively new bond structure with interest paid in yen and the principal in dollars.

Then we tapped our knowledge of worldwide markets to swap the dual-currency bond cash flows into variable rate financing, and finally executed swap contracts to generate the Deutschemarks, French francs, Belgian francs, and guilders that the subsidiaries needed. Though the transaction involved seven currencies and nine counterparties in five countries, we did it in less than three weeks.

The result: an estimated savings to the client of about 3/8% per year and tighter control over its long-term risk.

Swaps market leader

This transaction is just one example of the kind of innovative swaps we do for our clients. In the past year major corporations, governments, and banks worked with Morgan on over $20 billion in swaps, in 21 currencies. They came to us for these key strengths:

Morgan's worldwide client base and market presence

Our clients include most of the world's top multinationals, financial institutions, and central banks, and we're a leading participant in global capital and credit markets as well as foreign exchange, government bond, and bullion markets. At Morgan we use our market knowledge to match a wide range of available opportunities to each client's particular needs.

Morgan's strong capital position and swap portfolio

Our more than $5 billion in primary capital enhances our role as principal and can reduce client costs and risks in each swap we arrange. And with our ability to warehouse large interest-rate and currency swap positions, we can quickly commit to transactions before finding a counterparty.

Morgan's underwriting capability and experience

Our concentration on the international capital markets has led to a number of Morgan innovations, from the first zero-coupon swap of a discounted bond into an FRN, to the first U.S. Treasury-style auction in the Euromarket. In the non-dollar sector of the Euromarket Morgan Guaranty has lead-managed issues in more currencies than any other underwriter.

Call in Morgan

Challenge us with your next complex financing problem. Your Morgan banker will put all of our worldwide funding resources to work for you.

The Morgan Bank

UK COMPANY NEWS

Glaxo beats City forecasts with £260m

Glaxo Holdings, the UK's largest pharmaceutical manufacturer, yesterday announced a 34 per cent rise in taxable profits for the first half of the 1985-86 year. The interim figure, at £259.8m against £194.6m, was well above market estimates which had put the outcome at around £230m.

Analysts had expected that fluctuations in exchange rates would affect margins, but the company said that in the particular circumstances of Glaxo's international trade, currency variations largely offset one another. The effect on profits and sales was not significant.

However, group trading profit was dented by some £12m as an exceptional loss relating to the recall of products by the Farley Health Products after being linked with a salmonella outbreak last December. The offshoot was bought by Boots last month for £18m.

The exceptional debit was partly offset by a £6.7m jump in investment income to £19.7m. The share of associates profits slipped to £7.3m (£7.9m).

Group turnover rose by 16 per cent to £685.5m. The growth was attributable to sales of three major products: ranitidine, the anti-ulcer drug, rose 34 per cent to £285m, while those of the injectible antibiotics were up 48 per cent to £82m, with the main contribution coming from ceftazidime; salbutamol, the main product in the respiratory area, also continued to grow, and, says the company, "it has consolidated its position as the world's leading treatment for asthma."

The interim dividend per 50p ordinary share is 4p compared with a 3p payment last time, adjusted for the scrip issue last October. Earnings came through at 22.3p *per share against* 16.9p.

The tax bill for the half year rose from £67.4m to £93.5m, leaving net profit at £166.3m (£127.2m), and the attributable balance was £164.8m (£125.3m).

See Lex

Taylor Woodrow surges to £54m

SHARPLY HIGHER contributions from property activities *together with improvements by* the contracting and housing operations enabled Taylor Woodrow to lift its 1985 profits by 21.3 per cent at the pre-tax level.

Property profits surged by £7.1m to £16.33m. Mr Frank Gibb, chairman *and chief executive*, sees this activity as an area of opportunity. He says 1985 was not a "flash in the pan." In addition to the substantial UK programme the group is active in North America and Australia.

Mr Gibb envisages further steady growth in all areas and says that with the investment programme on hand, the group's geographical spread and its access to funds he sees property continuing to play a significant role in group profits.

In all, 1985 pre-tax profits rose from £44.23m to a record £53.65m—some £3m above City expectations. Contracting was still the main contributor, chipping in £1.98m more at £18.89m. Housing advanced by £2.04m to £14.04m and other activities accounted for £4.39m, down from £6.08m.

Profits from UK operations improved from £20.91m to £21.72m. The biggest growth, however, was generated by the Americas where profits showed an improvement of £5.91m at £18.92m. Africa swung from losses of £1.66m to profits of £1.48m but the Middle East contribution fell from £9.57m to £7.95m. Comparative results have been adjusted.

Group turnover for 1985 increased from £750.24m to £812.21m. Tax took £12.78m (£15.99m) to leave net profits of £40.87m (£28.24m).

Earnings moved ahead from 42.8p to 58.7p per 25p share and an increased final dividend of 13.25p (11p) raises the total by 2.25p to 17.25p net on the enlarged share capital. A scrip issue on a one-for-one basis is also proposed.

The directors expect the recent success of the housing activities in North America to continue. They say the market there is buoyant.

It is pointed out that the UK operations will continue to be profitable, particularly with interest rates falling. The land bank is being expanded.

Mr Gibb sums up: "Increasing profits from homes and property added to those from engineering and contracting is our future strategy."

He notes that the group has a very strong balance sheet and a consistent track record for over 25 years.

Group properties have been revalued and a surplus of 27.35m credited to revaluation reserve. Property under development was not valued except where substantial pre-letting had taken place.

● comment

Taylor Woodrow has surprised most in the City with its figures. Some analysts were as much as £5m behind the outcome, leading to the conclusion *that the group had leapt a year* in performance terms. In response the shares put on 12p to close at 585p against a net asset value of 565p. Investment property trading has been the group's main benefactor. So much in both the UK and the US has been set aside for a rainy day that yesteryear's conservatism now accounts for a large part of profit gains. Even the more frequent property revaluations now instituted still apparently leaves enough equity to make sales of property an attractive proposition. Net interest earned on the cash balances remains about £6m. £2m has come from the switch to average exchange rates plus a further £1.2m from the now consolidated property gains, so forecasts of £62m do not seem out of place for 1986. This puts the shares on a prospective p/e of 11 given a 35 per cent tax rate. Such a rating still seems too much construction related for a company well placed to take advantage of the City boom plus the property avalanche.

BOARD MEETINGS

TODAY

Interims—Adwest, Wade Potteries.
Finals—APV, Allied Plant, A. & C. Black, British Mohair, Brunlons (Musselborough), Carlton Industries, EIS, Elen, Albert Fisher, E. Fogarty, Hawker Siddeley, Matthew Hall, Higgs and Hill, Juliana's, Northern Engineering Industries, RMC, Toye, Turnil, United Ceramic Distributors.

FUTURE DATES

Interims—	
Ensign Trust	Apr. 22
Lyles (S.)	Apr. 21
St Ives	†Apr. 22
Finals—	
Ambrose Investment Trust	May 6
Bank of Ireland	May 15
Holt Lloyd International	May 8
House Property Co of London	Apr. 17
Nationwide Leisure	Apr. 25
Upton (E.)	Apr. 25

† Amended.

Peterboro' Data sold to Heath

C. E. Heath, the insurance broking group, is to pay £8.5m in shares and loan notes for Peterborough Data Processing Services, a supplier of management software programmes.

Peterborough employs 200 people and has subsidiaries in Australia and New Zealand. It made a pre-tax profit of more than £1m on turnover of £7.52m in 1985. Net assets at the year end were worth £2.01m.

Heath will issue £3.9m worth of new ordinary shares and £4.6m worth of convertible unsecured loan notes 1989-91, carrying interests at one per cent less than the six-month libor rate.

Tomkins' cash alternative for Pegler-Hattersley bid

BY LIONEL BARBER

F. H. Tomkins, the industrial holding company which last week launched a £175m all-share bid for Pegler-Hattersley, the engineering group, yesterday added a 529.3p per share cash alternative.

Pegler had criticised the all-share bid saying Tomkins' paper was overvalued. It has yet to reject formally the offer.

Mr Greg Hutchings, Tomkins' chief executive, said: "The cash alternative (worth £162m) is for the doubting Thomases on the Pegler board."

The cash alternative applies to those Pegler shareholders who do not take convertible preference shares but accept new Tomkins shares. These shareholders will be able to sell the new Tomkins shares at 285p each.

Tomkins is offering 13 new shares for every seven Pegler shares. On the basis of last night's closing price for Tomkins, down 7p at 303p, the share offer values Pegler, down 15p to 570p, at 562p per share.

Allied Textile bids for Berisfords

By Lionel Barber

Allied Textile Companies, the cash-rich Huddersfield-based woven and knitted fabrics maker, yesterday launched a £7.8m bid for Berisfords, the 128-year-old family ribbon manufacturer based in Congleton, Cheshire.

Berisfords, which received the approach on Monday afternoon, urged its shareholders to take no action. Yesterday, it held talks with Hill Samuel, merchant bank advisers.

Last year, Allied, which has a cash molehill of around £20m, fended off a hostile £44.5m bid from London and Midland Industrials, an industrial holding company. "It's nice to be on the right end of a takeover bid," said Mr Russell Smith, Allied's chairman and chief executive.

Allied, advised by S. G. Warburg, has diversified out of traditional wool textiles into areas such as woven fabrics for the automobile industry and wind-surf sails. For the year ending last September it made £6.39m pre-tax profits on £54.6m sales. It employs 1,700 people.

In the year ending March 1985, Berisfords reported a fall in pre-tax profits to £729,000 on £20.9m turnover. Its turnover and profit before tax for the six months to last September were £10m and £130,000 respectively. The group employs almost 1,200 people.

Rexmore, a merchandiser of furnishing fabrics holding 26.1 per cent of Berisfords, has recommended the Allied offer. Rexmore acquired the Berisfords' shareholding after Berisfords bought a Rexmore division, British Trimmings, in a £3.85m cash and share deal in January 1983. The *Sebire family, holding around* 20 per cent of Berisfords, has yet to declare its hand.

Allied is offering one new share for every two in Berisfords. Based on last night's closing price for Berisfords, up 28p at 140p, Allied down 20p at 285p, values Berisfords at £7.8m or 142.5p a share. There is a cash alternative of 125p per Berisfords' share.

Labroke acceptances

Ladbroke, the hotels, property and gaming group which lamched a £201m agreed bid for Home Charm, the DIY stores group, last month, has won acceptances amounting *to 41.17 per cent* for its offer. The closing date for the offer is tomorrow.

DTI petition

The Department of Trade and Industry has presented a petition for the compulsory winding up of the Swansea-based car importer Early to Late Services and its two associated companies, ETL Service and ETL Motor Brokers.

The DTI said that the three companies appeared to owe at least £1m to more than 250 UK customers who had not received cars.

The company was started three years ago by Mr Jürgen Heinz Dembach, a German national. His business was the importing of cars from the Continent and Ireland, and their distribution in the UK.

The Official Receiver has been appointed as provisional liquidator, pending the hearing of the petition in the High Court on May 19.

David Goodhart on the Distillers battle as it nears its climax

Looking good for Guinness

IT HAS been a remarkable six months for Distillers' shareholders. Their company's market capitalisation has risen from just over £1bn to near £2.5bn as two of the UK's most lauded managers, Mr James Gulliver, chairman of the supermarkets group Argyll, and, latterly, Mr Ernest Saunders, chief executive of Guinness, have paraded their suitability to transform the flagging spirits brands.

As one might expect from two competing supersalesmen the argument has been obscured by competing blasts of hyperbole, and even on occasion degenerated into bitter personal attacks. The "real debate" has also been submerged by a stream of events which have until very recently left the status of the three-sided affair uncertain.

The Guinness camp claims that, having vaulted the Office of Fair Trading at the second attempt in March, the various legal attempts by Argyll to block the bid have been diversionary tactics borne out of a weaker case.

Diversionary or not, Argyll has certainly been widely praised for its campaign and indeed for boldly taking the first shot at Distillers from its relatively small base (1985 pre-tax profit £53.1m). Nevertheless, once the uncertainty surrounding its rival offer had been cleared Guinness became, and has remained, the favourite to claim the victors laurels this *Friday*.

The independent drinks analysts at stockbrokers de Zoete and Bevan and at Campbell Neill have just concluded, after much head scratching, that Guinness ought to win. Some senior Argyll managers are *already cursing the institutional* fund managers' caution and their susceptibility to the powerful Guinness rhetoric, but Mr Gulliver's ability to bounce back should not be ruled out completely. He is also more desperate than Guinness—defeat will cost him about £30m which is nearly half this year's profit.

There is still a small chance that the Guinness-Argyll contest could become the nail-biter that the Hanson Trust-United Biscuits tussle for Imperial Group promised but failed to be. The possibility of a corporate "constitutional crisis" in the event of a stalemate—with both sides winning over 40 per cent but nobody taking an overall majority—has been seriously considered in some quarters.

Echoing Hanson-UB, there is very little to choose between the sides on price. Guinness now speaks for 31.8 per cent (about 12 per cent above Argyll) but that is not yet decisive, and its paper offer will remain only marginally above its rival. Argyll has plugged away at the Guinness-Distillers vulnerability to dilution and even Grievson Grant, unashamed advocates of the agreed merger, have admitted there could be some.

Guinness in its turn has concentrated fire on the re-rating of Argyll's shares which will continue should it become a drinks company. Why, they ask, should Argyll be able to do what no other company can and retain its high p/e ratio in the new sector?

As well as a similar valuation of Distillers, the two rivals also share almost identical plans for improving its performance. At first sight the intense interest in Distillers may seem rather odd. It is, after all, concentrated in brown spirits — a sector in apparently irreversible relative decline which expects a mere 1 per cent growth in its world market this year.

Distillers itself may have been in long-term decline, trapped by its "production" culture into squandering growth and marketing opportunities in the international arena where it makes 95 per cent of its profits. But in the difficult circumstances of the last three years a start has been made on *reforming its creaking* management structure — last year's pre-tax profit of £236.2m on turnover of £1.274bn is not that disastrous.

Both Argyll and Guinness could make some relatively painless savings by cutting out duplicated administration and selling properties — at present virtually every Distillers brand (Johnnie Walker, Gordon's Gin, Tanqueray, etc) has its own company headquarters.

The other shared slogan concerns the need to move "downstream" closer to the consumer. Of the 56m cases of drink that Distillers now produces it markets only 34m and actually sells only 13m. Its product differentiation is widely criticised as is its failure to develop a consistent global marketing strategy. Both Guinness and Argyll would take more direct control over selling the brands and would put more cash into new brands (presumably in growth areas like white spirits and cocktails) as well as cutting out others.

It is the respective abilities of Guinness and Argyll to succeed in the delicate operation of re-positioning famous Scotch whisky and gin brands around the world that is the nub of the argument. Success in that operation will allow a UK company to join the five or six global beverage giants which are expected to dominate the market by the end of the decade.

Failure will leave Distillers worse off than it now is, and would jeopardise thousands of jobs. After the quick cuts it will not be an easy task. In a stagnant market growth will have to be taken from competitors.

As one closes in on the management qualification argument, the sound of facts being twisted out of shape becomes quite deafening. *Listening to* Guinness recently one could be forgiven for believing that they are already a major multinational operation with huge beer sales in the US, Continental Europe, and Far East.

In fact a glance at the 1985 *annual* report reveals that about 75 per cent of the 1985 turnover of £1.187bn comes from the UK and the Republic of Ireland. Europe produced profits of just £100,000, America *turned in profits of £5.2m on* turnover of £85.6m and Africa had the remarkable return of £17.4m on turnover of £68.1m. And what of the recently trumpeted 1,000 sales and marketing personnel scattered about the globe? About 500 turn out to be firmly based in the UK and Ireland with 150 in America, 180 in Africa, 170 in the Far East and 30 in Europe.

Argyll too have been talking about their US drinks operation — Barton Brands — as if it was a major leg of the company instead of a £150m turnover subsidiary dwarfed by Presto's supermarket chain (turnover £718m).

The truth is that neither contender has extensive international brand experience but both have over the last four years turned round the seemingly unpromising material of draught stout (Guinness) and inner-city supermarkets (Argyll).

Exaggeration aside, Guinness is clearly right to press the case of its international network and its limited successes in selling the non-alcoholic lager Kaliber to the Americans. It believes in investing large sums of money in research, promotion and marketing and to date it has paid off.

Although both sides stress that there is *much suppressed* talent in Distillers, and more that coherent direction from the top can solve a lot. Guinness has the advantage of being able to instantly unleash skilled marketing staff in several countries to give new life to the brands. Argyll by contrast will have to buy in new people on the ground as speedily as possible.

In addition Guinness or Distillers have subsidiaries in the top 10 markets for scotch whisky in the world (except South Africa) and where there is overlap will be able to claim benefits of synergy.

However Argyll can make some telling points against its larger rival. First, there may well be a conflict of interest between the Bell's *premium* brand which Guinness has promised to push *in* the US, and the top Distillers brands which currently perform strongly there.

Second, although a recommendation from the board of the company being taken over would normally be a plus mark, in this case Distillers' recommendation of Guinness is simply evidence of board-room demoralisation. It will also, Argyll claims, make it more difficult for Guinness to act with the ruthlessness that is needed, and from which the smaller but more dynamic Argyll will not flinch.

Other general points that Argyll deploys came dangerously close to rebounding. Guinness's management may be highly centralised and strongly *dominated* by *one* man, Mr Saunders, but the same can be said of Argyll and Mr Gulliver. Also, although Mr Gulliver's creative claim in Who's Who to have been a student at Harvard was shrugged off by Argyll at the time, it did raise a question *mark in the minds of some* fund managers. The fact that Guinness has had four finance directors in the last four years, and uses management consultants, is only a telling point if it appears to have caused them damage. So far, it has not.

The final point that Argyll flings is that, while Mr Saunders' initial success came from slimming down Guinness and selling off dozens of peripheral companies, he is now engaged in a reconglomeration.

It is probably true that recent acquisitions such as Martins the Newsagents will receive less central management time if the Distillers bid is successful—but grasped bid is su gkqjakqjajaj the Distillers prize if properly grasped is so potentially valuable that such lack of attention would be quite justifiable.

Guinness yesterday markedly increased its chances of winning control of Distillers when it announced that it now *speaks for 31.7 per cent of Distillers share capital.*

The significant increase in its holding—rising from just over 19 per cent—comes from Guinness's own buying in the market, lifting its own stake to 14.9 per cent, and from an increase in acceptances from nine per cent to 16.8 per cent.

Argyll, the rival bidder, speaks for just under 20 per cent of Distillers with two days before the final close at 3 pm on Friday.

The value of Guinness's share offer *also pulled slightly* ahead of Argyll as a result of share movement's yesterday. Argyll slipped 10p to close at 355p, and Guinness fell 11p to close at 342p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Brikat‡ ...int	1.7	July 14	1.5	—	4
Bowater Inds	5.5	July 4	5	9.25	8.5
Bowthorpe	4.87	July 1	3.41	7	5.48
Dinkie Heel	0.2	July 1	0.35	0.4	0.55
Gable House ...int	1.45	—	1.25	—	2.88
Glaxo ...int	4	June 13	*3	—	*10
Helene of London†	1.13	July 1	1.11	1.63	1.48
Hyman	0.75	July 1	1	1.5	1.5
Walter Lawrence	2.65	July 1	*2.42	3.65	*3.42
London Park Hotels	6.5†	—	4.23	10	7.38
Owners Abroad	1.5	—	1	1.5	1
Petrocon	4	June 2	3.5	6	5.25
Pres Entertainments‡	1.33	—	0.1	2	0.1
PSM Intl	3.3	July 4	3.15	5.5	3.15
Savoy A	3.5	—	2.5	3.5	2.5
Savoy B	1.75	—	1.25	1.75	1.25
William Sindall	9	July 11	8	12	10
Steel Bros	12	July 1	12	16	16
Taylor Woodrow†	13.25	June 21	11	17.25	15
Telephone Rentals†	4.5	July 2	4	7	6.25

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

Bowater's £32m profit 'falls short of aspirations'

Bowater Industries yesterday blamed three problem spots for a fall in 1985 taxable profits from £35.7m to £32.4m, which was greeted by the City with an initial 13p fall to 300p in the company's shares.

Dr Ingram Lenton, the chairman, said the results "fall short of our aspiration." Freight services and Camvac in the US and pvc windows in the UK lost £6.9m between them.

Analysts had been looking for a moderate improvement to around £37m—the shares closed at 301p.

Apart from the UK, which increased trading profits from £23.1m to £31.4m, returns from Europe, Australia and the Far East were lower at £8.5m (£9.9m) and £10.2m (£16.1m) respectively. The US suffered higher losses of £5m against £1.4m.

Currency movements affected profits, particularly in Australia, where Bowater has extensive interests. The Australian dollar lost about one-third of its value

Bowater's packaging and associated products returned a fairly static trading profit of £14.3m (£14.5m); merchanting and services fell from £14.7m to £9.5m; tissue and associated products (Bowater 50 per cent interest) rose by £1.8m to £8m; paper and pulp contributed less at £2.9m (£4.8m); and other activities less central costs added £2.2m (£0.2m).

However, despite the profits fall, and the lack of cover after £11.9m (£2.2m) of extraordinaries, the dividend total is being increased by 9 per cent to 9.25p through a final of 5.5p (5p). "It is affordable and there was an 18 per cent advance outside the three temporary, transient problem areas," said Dr Lenton.

Turnover rose from £1.27bn to £1.29bn, generating a trading profit of £45.1m (£47.7m). Interest charges were £12.7m (£12m).

He said that Bowater was now a long way through the programme of change embarked upon following the demerging of the large North American pulp and paper businesses in July 1984.

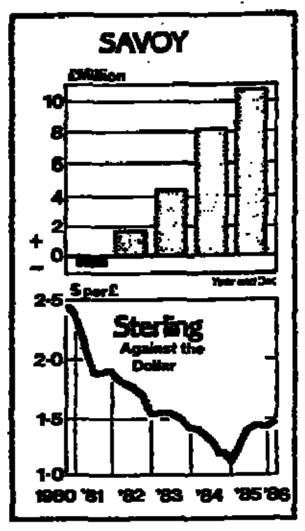
"The programme is accelerating and the shape of the group is changing as we move away from the more traditional things. This will become increasingly apparent in 1986 and 1987," he added.

Extraordinary charges in 1985 primarily reflected provision for the loss incurred on withdrawal in early 1986 from joinery activities, and payments under warranties given on withdrawal in earlier years from commodity trading and banking in the Far East.

● comment

Bowater has increased its dividend and filched £1.5m from reserves to pay it as a gesture of the board's long-term faith in the born again paper group. Having made the switch from capital expenditure to acquisitions, the group is now looking to spend up to £100m on purchases this year. The emphasis is to be on builders' merchants (an activity stumbled on as a volume outlet for the now sold-off joinery operation) and specialised packaging companies. Alongside this programme sits a disposal plan aimed at those assets not judged capable of reaching the 20 per cent return target set for 1988. Bowater has also set its face against being mere manipulator of the financial markets—its history of involvements with would-be Slater Walkers has inoculated it against this. So gone is the Singapore banking and commodity operation at a cost of £7m. To come for 1986 is a £9m benefit from a pension fund holiday and further gains from cost saving throughout the group. Forecasts are for £55m assuming the tax man and the accountants treat the pension gain equitably. The shares at 301p, down 12p, reflect the uncertainty as to the two year outlook.

Savoy sees flat year after nearing £11m



Savoy Hotel, the prestigious chain of London and Paris establishments, yesterday reported record taxable profits of £10.71m for 1985, against a comparable £8.11m.

However, Mr Giles Shepard, group managing director, was less confident about prospects for the current year, despite a good first quarter.

Group turnover last year increased by 16 per cent, or £8.2m, to £59.97m, a rise which he found encouraging.

The dividend on both the A ordinary shares and the highly prized limited voting B shares is to be paid at the rate of 35 per cent—this lifts the "A" payout from 2.5p to 3.5p, and the "B" from 1.25p to 1.75p.

● comment

With everything going right for the Savoy—exchange rates, tourism and occupancy levels—it would have been difficult not to do well in 1985. The question now is whether that can be repeated in 1986. The outlook for US visitors was not bright even before this week's events and now they may be even more inclined to stay at home. Nevertheless the Savoy is not pessimistic. The number of "sleepers" has fallen in the first quarter but the "local trade" has kept the bars and restaurants busy and with more than half its bedrooms occupied by business travellers rather than tourists the company has justification for assuming some stability to its trade. Yet the hotel sector is notoriously cyclical and it might be dangerous to assume much, if any, profits growth this year, which does not make the historic (prospective?) p/e of nearly 16 particularly exciting. What the Forte family will make of it is anybody's guess but they, better than most, know which way the market is going.

Currency movements hit Petrocon's rental side

LOWER pre-tax profits, down from £1.83m to £1.22m, are reported by Petrocon for 1985, and Mr Peter Hodgson, the chairman, says adverse currency movements affected the group's rental businesses.

Group turnover—it manufactures and supplies equipment and services to oil, petrochemical and process industries—rose from £11.99 mto £12.63m.

Profit of the company and its subsidiaries was down from £1.64m to £1.13m, and share of profit of associates was £88,803 against £194,548.

Stated earnings per 12½p share fell from 20.18p to 11.02p, but the final dividend is raised from 3.5p to 4p net for an increased total of 6p (5.25p). After tax of £537,622 (£603,132), an extraordinary credit this time of £204,490, and dividends of £372,431 (£332,014), retained profits were £515,783 compared with £896,075.

Mr Hodgson says several new well services were introduced during the year and consequently the board did not look for any increase in profits over the record figures achieved the previous year. Start-up costs for these businesses were incurred without the benefit of any profit contribution from them in their first year of operation.

Oil tool rental was the main business, and Petrocon Drilling Tools made a substantial contribution, as did the rental tool subsidiaries in Norway and Holland. However, profits of all three subsidiaries would have been higher but for the fact that rental price lists are dollar based.

On the supply side, Petrocon Flotec's profits were higher, reflecting the increased capital spending by oil companies in both the North Sea production facilities and European refining capacity.

In the group's engineering division, both Petrocon Steel Services and Petrocon Gall Thomson improved their performance over the previous year.

Electronics downturn hits PSM

HIT BY the downturn in the electronic sector, particularly in the US, PSM International, which makes specialised industrial fastener systems, has seen a fall in second half profits from £1.45m to £1.06m.

This means the pre-tax total for the year is down from £2.55m to £2.32m, compared with the midway forecast of a modest improvement.

However, the current year has started well. The dividend is lifted to 5.5p net with a final of 3.3p; the company was made public in November 1984 and paid 3.15p for that period.

Mr Jimmy Tildesley, chairman and managing director, says in most areas the group managed to offset the downturn by increased market penetration. Delays in the delivery of new equipment put back the introduction of significant high volume, high efficiency manufacturing techniques.

Turnover in the year rose to £15.27m (£14.13m). A split of that and the pre-tax profit shows UK manufacturing £5.65m (£5.84m) and £1.05m (£1.23m); UK distribution £4.89m (£4.19m) and £1.01m (£936,00); overseas £4.75m (£4.1m) and £250,000 (£391,000).

After tax £710,000 (£1m) and minorities £14,000 (£49,000), the net attributable profit came to £1.59m (£1.5m) for earnings of 13.1p (14.5p) per share.

In the year PSM disposed of its stake in Latent Bondings and also ran down the manufacturing facility in the US with a transfer to much lower cost production in Taiwan.

IN BRIEF

PROTIMETER, a manufacturer of damp testing meters, has received an approach which could lead to an offer for the company. Dealings in its shares were yesterday suspended at 47p, giving a value of £3.55m.

DINKIE HEEL is cutting its dividend from 0.55p to 0.4p net for 1985 with a final of 0.2p. Turnover of this footwear component maker was £2m (£2.01m) but pre-tax profit was down to £104,000 (£206,000) and earnings to 0.9p (1.18p). Directors say acquisition of ITS last November was too late to affect results, but benefits should arise. First quarter of current year "mildly encouraging."

BRIKAT GROUP, producer and distributor of business accounting software, raised turnover to £5.87m (£3.15m) and pre-tax profits to £534,000 (£510,000) in the half year ended January 31 1986. Interim dividend is 1.7p (1.5p). Profits took account of a £40,000 (nil) share of associate company losses. Group's shares are traded on USM.

WILLIAM SINDALL, building and civil engineering contractor, improved 1985 turnover and pre-tax profits respectively to £28.05m (£22.44m) and £881,000 (£853,000). A final dividend of 9p makes a net total of 12p (10p).

LADBROKE INDEX
1,373-1,378 (−25)
Based on FT Index
Tel: 01-427 4411

UK COMPANY NEWS

Rising sterling cuts Steel Brothers by £3m

THE RISE in the value of sterling last year knocked some £3m off the profits of Steel Brothers Holdings, the international food and construction group, and taxable profits fell from £14.9m to £11.8m. The group's principal activities suffered a £4m combined profit fall.

Mr Patrick Cooper, chief executive, said that in the Middle East the food and catering operations improved profit levels in local currency terms in all but one territory. In North America, the lime business faced increased competition, and there was a contraction in the US copper industry to which Steel is a major supplier.

In Europe, the mining engineering company Becorit and the rice milling operation Euryza each had a successful year.

The current year has started well, but Mr Cooper says that it is too early to determine the full effects of reduced oil prices on the overseas food and catering operations. "The policy of acquiring profitable companies in the main core businesses continues," he adds.

Despite the profit fall the dividend for 1985 is held at 16p with an unchanged final of 12p —earnings per share showed a 15.62p reduction to 47.89p. The dividend will absorb £2.3m (same) of attributable profits of £5.8m (£8.8m), leaving retained profits down from £6.5m to £3.5m.

Mr Patrick Cooper, chief executive of Steel Brothers

Total turnover fell from £444.7m to £367.7m, of which core companies accounted for £127m (£135.7m).

● comment

The market lothes volatility and a company like Steel Brothers, with its activities spread across so many countries, is nothing if not volatile. Currency fluctuations wiped £3m off this set of results and the company is considering adopting average yearly exchange rates as a short term solution, but is pinning its hopes on countering overseas exposure by expansion in this country for the long term. Thus far UK expansion has simply compounded its problems. The privatisation of NHS catering—*which Steel Brothers selected* as the basis for growth in this country—has progressed much more slowly than either it, or the Government, expected. Future acquisitions will stick to catering but will look further afield than the health service. In the meantime the outlook for 1986 looks every bit as volatile as for 1985. Profit predictions are at best uncertain, but the City is plumping for £13m which produces a p/e of 10 on yesterday's share price of 570p. The Middle East and North America are still problematic. In-flight catering has been identified as the likeliest area for growth, although a few more Libyan bombs at Mediterranean airports could deter European holiday-makers as effectively as the Americans.

ISSUE NEWS

UK Provident rescue triggers GT flotation

BY LUCY KELLAWAY

GT Management, the largest UK fund management group, will be joining the stock market this summer with a likely value of over £70m.

The decision to go public was triggered by the rescue last week of UK Provident, which is one of GT's largest shareholders. Mr Mark St Giles, joint managing director, said: "We had more or less taken the decision to float in the near future, but the catalyst was the events at UKPI."

He described as "very relaxed" the stance of UKPI to its stake in GT, but said that "it wouldn't be unreasonable to expect them to want to see the highest possible value for their shares."

GT is best known in the UK for its unit trusts, although these make up less than 10 per cent of the group's £3bn of funds under management.

Unlike other quoted UK fund management groups, pension funds form the biggest part of the group. GT's base is unusually international, with half of its clients based outside the UK, and one quarter of them in the US. It has traditionally been strong in Japan and the Far East, in which about 50 per cent of its funds are invested.

Because of its international leanings, GT hopes eventually *for listings both in the US and* in Japan.

A UK quote will equip GT with paper which it expects to use to make acquisitions. It will also make better sense out of the employee share option scheme, under which options start to come due in the next 18 months.

GT currently has about 95 institutional shareholders. UKPI owns about 5 per cent of the shares directly and more indirectly through Berry Trust which owns about 28 per cent of GT, and in which UKPI has a 29 per cent stake.

The last block of GT shares changed hands two months ago at £42 each to value the group at £60m. However, as a listed company GT can clearly expect its value to be enhanced.

GT has grown rapidly since its inception in 1969, and in the year to March 1985 it made pre-tax profits of £5.7m. The flotation will be accompanied by its 1986 results, which given the bull markets that have persisted during the year, should show a good increase.

The merchant bank to the issue is Baring Brothers and Cazenove is the broker.

Offer for sale values Ipeco at £33m

Ipeco, one of the world's leading makers of aircraft crew seats, is joining the stock market with a value of £33.1m.

The details are published today of an offer for sale by Barclays Merchant Bank of 8.9m shares at 120p each, of which half are being sold by the company's founders and the other half by the company to raise £4.2m after expenses. The money will be used to fund expansion, to enable the company to set up production in the US and to allow it to make acquisitions.

Ipeco has been making aircraft seats since 1972 when it developed its first model designed specifically to reduce aircrew fatigue. Since winning its first major contract in 1973 with Fokker, Ipeco has become a major supplier of crew seats to Boeing and McDonnell Douglas.

It has since broken into the military market with an important contract with Lockheel in the US, and into the corporate and commuter market with Gulfstream and Saab-Scania.

Turnover is divided evenly between the three markets and more than two-thirds of group sales are to the US. Last year the largest three customers, Lockheed, Boeing and Gates Lear Jet accounted for 19, 15 and 6 per cent of sales respectively.

Through its wholly-owned subsidiary, Industrial Precision Equipment, Ipeco also supplies specialist engineering services, producing sophisticated assemblies to be used by its customers in their own electronic system products. These activties currently make up about one-quarter of group profits.

Over the last five years turnover and profit have risen steadily from £2.5m and £649,000 in 1981 to £8.6m and £3m in 1985.

Brokers to the issue are de Zoete & Bevan. The applications list open on April 22.

● comment

For three years Ibeco and its advisors have been waiting patiently to catch the perfect moment to float. The one they chose may be better from the standpoint of the industry than the market; and there could hardly be a stronger example than yesterday's US attack on Libya to show how the two may diverge. The aerospace industry is notoriously cyclical, but for the next two or three years should be on the upswing in both civil and military markets. Ibeco can be assured of satisfactory growth from the programmes that it is already on, but growth of the sort that would justify the company's above average rating must require that it gets its seats into a broader range of aircraft. The company insists that it is more competitive than rival manufacturers, but with margins of 40 per cent there must be room to become more competitive still.

Charles Barker set for full quote

By Lucy Kellaway

CHARLES BARKER, one of the oldest advertising agencies in the world and the second largest UK communications group after Saatchi and Saatchi, is planning a stock market flotation next month which could value the group at about £30m.

The company will waste no time in using its shares to make acquisitions. It announced yesterday that it has agreed to buy Norman Broadbent International, management head-hunters, for £3.2m payable in shares at the time of the listing. The total payment will be dependent on performance, and is likely to be about £6.6m.

Mr Antony Snow, chairman and chief executive, said yesterday that the company had promised its institutional shareholders that it would go public before 1988, and had chosen to float now "because both the market and the sector look right."

The company, which was founded in 1812 had its last capital injection in 1935, since when all growth has been financed internally. Nearly 60 per cent of the shares are now held by financial institutions, and Schroders, which is also bringing the company to the market, is a major shareholder.

Since its creation, Charles Barker has had strong links with the City. However, the company is also engaged in advertising, public relations, human resources, and non-advertising marketing.

Cazenove has been appointed as brokers to the issue.

Antler coming to USM with £10m valuation

BY RICHARD TOMKINS

Antler, the suitcase maker which disappeared from the stock market's view five years ago when its parent group passed into private hands, will return to the City at the end of this month to seek a quotation in its own right.

Harris & Sheldon, the privately-owned industrial holding company, is planning to float Antler on the USM through an offer for sale of between 50 and 70 per cent of the shares.

Details have yet to be fixed by the brokers to the issue, Rowe & Pitman, but Antler's market capitalisation is likely to approach £10m.

Antler is Britain's biggest travel goods company. It sells luggage and related items under the Antler, Revelation and Crown names

At present it is a wholly-*owned subsidiary of the War*wickshire-based Harris & Sheldon group, along with several other companies including Webley & Scott, the air gun maker, Hardy Brothers, the fishing rod and reel manufacturer, and Evertaut, the office furniture supplier.

Harris & Sheldon ceased to be a fully-listed company in 1981 when Otis Elevator launched a bid with the aim of acquiring its lift-making subsidiaries.

To defend the company from being taken over and broken up, the chairman and five other directors and executives sold the lift interests to Otis and acquired the rest of the group's businesses themselves.

In doing so they took on substantial loans, and one aim of the Antler flotation is to fund the repayment of the last tranche of debt due this year.

The offer for sale will also provide capital for Antler's expansion. In particular it wants to establish a presence in export markets, and one of its immediate aims is to set up a marketing operation in the US.

In its home market, Antler has endured a punishing time over the last 15 years. The market has grown as travel has increased and as travel goods have become more fashion-orientated, but the rising demand has been met by a flood of imports which now account for 80 per cent of sales.

UK operations behind 6% rise at Telephone Rentals

BOLSTERED by its UK operations Telephone Rentals saw its 1985 profits rise to a record £15.66m pre-tax, an improvement of 6.3 per cent over 1984's £14.73m.

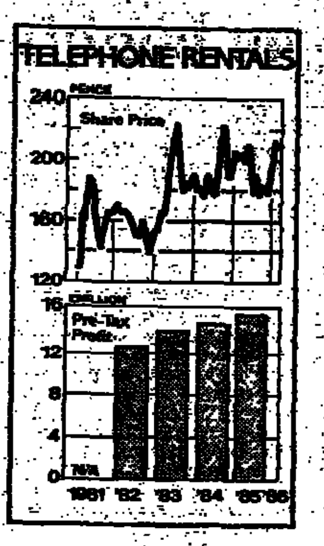
A final dividend of 4.5p raises the total from 6.25p to 7p net.

The UK activities increased their contribution by nearly 9 per cent to £13m, reflecting significant progress in new telecommunications markets.

During the year substantial new rental business was secured in the UK. Sir Charles Ball, the chairman, tells shareholders that much of this will be fitted in the current year and says that orders received so far are ahead of the record levels achieved in the same period of 1985.

Sir Charles points out that in addition there will be a full year contribution from the Cass Group, resulting in a further increase in UK profits, and an improvement in the overseas results. Overall, he expects 1986 profits to show a rise over those of 1985.

Turnover for the past year advanced from £67.62m to £75.49m—the group claims to be second only to British Telecom in apparatus supply and service. Operating profits rose from £14.41m to £16.09m.



Pre-tax profits, which were in line with City expectations, were struck after taking account of interest payments this time of £535,000, compared with previous interest income amounting to £106,000. The share of the associate's profits dropped to £102,000 (£214,000).

Overseas companies continued to develop but after conversion into sterling their aggregate results showed a marginal decline. If their results had been translated in rates ruling at December 1984 group operating profits and turnover would have been £693,000 and £2.84m higher respectively.

● comment

Deregulation has not been quite the bonanza for Telephone Rentals that the City expected. Last year the company proffered plenty of excuses from licensing delays to British Telecom's dirty tricks. This year, adverse exchange rates apart, the excuses ran out. With deregulation behind it Telephone Rentals is now fully licensed for the wiring, instrumentation and maintenance, as well as the *provision of telephone systems . . . yet its growth is as sluggish as ever.* The company counters that, as a rental concern, its initial outlay is high and growth will be slow, but steady. More than half the group's profits are now sourced outside the telephone area. But telecommunications has been identified as the key growth area, with two small, digital PABXs coming on stream this year. Cass will make its first, full contribution of £1m or so in 1986 whisking profits up to £18.5m and the p/e to 14.5 on yesterday's price of 210p, and leaving shareholders to kick their heels for a few more years until the fruits of deregulation filter through.

Hyman advances 18% to £1.9m

Despite the delay in the expansion of the frozen food division and the continuing cost of R&D on the foam technological side, Hyman has lifted its operating profit by 19 per cent to £2.39m and its pre-tax profit by 18 per cent, from £1.62m to £1.92m in 1985.

The group, maker and converter of polyurethane foam and producer of frozen fast foods, lifted turnover by 2 per cent to £28m.

Higher tax and minorities means a cut in earnings from 4.24p to 3.61p, but the dividend is again 1.5p net, the final being 0.75p.

The directors say although demand for products is reasonably buoyant, margins in the foam division are being eroded by increased chemical costs; these are caused by the weakness of sterling against the DM on the steep decline in the price of North Sea oil.

There are extraordinary credits of £30,000 (debit £290,000), being the surplus on disposal of two subsidiaries in UK textile marketing and overseas foam production/conversion, together with realised gains on currency translation, less goodwill written off £200,000.

London Park Hotels at record £1.65m

ON TURNOVER up 48 per cent from £5.04m to £7.5m, pre-tax profits at London Park Hotels climbed from £594,000 to a record £1.65m during 1985, and Mr D. W. Hardy, the chairman, expects 1986 to be another successful year for the group.

Stated earnings per 25p share show a near four-fold increase from 8.6p to 32.32p, and the final dividend is hoisted from 4.23p to 6.5p net for a total up from 7.35p to 10p.

During the year, the company disposed of the Plaza and Mount Pleasant Hotels and profits from these sales were treated as extraordinary items of £2.53m (£200,000) and resulted in attributable profits of £3.77m compared with £538,000.

Major improvements were carried out to the Grand and London Park Hotels during the year, and this work should be completed by the middle of this year. Work will shortly begin on the Royal Angus to add a number of new and attractive facilities and these should be completed by the end of the year.

The funds released by the sales of both the Plaza and Mount Pleasant Hotels have been made available for further acquistions, and since the year end, the purchase of the Prince of Wales Hotel in London's Kensington, and the Crest Hotel at Heathrow, have been completed.

The Prince of Wales Hotel needs extensive renovation and will be closed for about 18 months.

● comment

London Park Hotels is as busy refurbishing its chain as it is in letting rooms. So during this period of transition it is hard to get a real impression of the pace of growth. Suffice it to say that it feels right and the market certainly liked what it saw yesterday, marking the shares 13p higher to 505p, while equities as a whole were in retreat. Profits this year could come out around £2.2m pre-tax, taking in an initial contribution from Crest Heathrow though without any impact from the Prince of Wales, bought for £11.75m, which will be shut for at least 18 months for a refit. Interest charges against that and the actual costs will be capitalised but the eps figure this year will be held back because of the 1.2m shares placed in February to part fund the purchase. Even so earnings should keep inching ahead. The following year, 1987, will be the point where shareholders will see the rewards of the Prince purchase and profits could head towards £3m. That assumes no more acquisitions which seems rather unrealistic. More UK hotels will be added as well as some overseas ones eventually. Leisure interests, such as casinos, would also be an easy fit. The shares are worth running with on a p/e of 15½.

Profits rise to £1.4m at President Entertainments

HIGHER TAXABLE profits of £1.4m, against £869,000, were achieved in 1985 by President Entertainments, the USM-quoted entertainment and theme restaurant operator.

Turnover expanded from £5.83m to £7.77m and earnings per share came out at 6.42p, against an adjusted 4.2p. The final dividend is 1.33p for a 2p total, which compares with the single 0.1p dividend paid in 1984.

With two theatre restaurants in Orlando, Florida, open and running smoothly, President says that it is looking closely at a possible third site.

Mr R. I. Earl, the chairman and managing director, says that 1985 was an excellent year for the company in the UK and the main division, theatre restaurants, continued to penetrate both the overseas and domestic visitor market to London.

He adds that a greater emphasis has been put upon sales efforts to the UK market, which has been successful. He is confident of considerable growth this year in both the Flanagans and Chicago Pizza Works concepts.

UK COMPANY NEWS

Overseas growth helps Bowthorpe rise to £23m

GROWTH of 21 per cent in the overseas subsidiaries' contribution has enabled the Bowthorpe Holdings group to raise its pre-tax profit from £20.12m to £23.24m in 1985.

This means that overseas accounts for 54 per cent of group profit, compared with 51 per cent the year before, with the US share staying at 24 per cent. The group makes components and accessories for the electronics, telecommunications, and aerospace industries.

Shareholders receive an increased dividend. A final of 4.67p brings up the total to 7p net, against 5.45p.

Currency conversions have been changed to average rate, instead of closing rate. Hd the latter method still applied in 1985 the profit would have been £62,000 higher, and the comparable profit £825,000 more.

Turnover in 1985 rose 16 per cent to £125.95m and trading profit advanced 31 per cent, from £15.55m to £20.37m. Adding associates £1.53m (£799,000 plus £1.13m insurance claim) pushes up the operating profit 25 per cent to £21.9m, but a decline in net interest and other income receivable cuts the pre-tax profit growth to 15 per cent.

Mr R. A. Parsons, the executive chairman, says the UK subsidiaries lifted their sales by 11 per cent to a record £59m, equal to 43 per cent of the total. Pressure on margins persisted throughout the second half and, while there was a small improvement in pre-tax profit for the last six months, the overall contribution was only slightly better than the 1984 figure.

For the greater part of the year the electrical and electronic sectors of industry met difficult trading conditions and, as component suppliers, the group's UK side was faced with severe pressure on prices.

The defence industry, to which the group is a sub-contractor, experienced depressed trading conditions and there was keen competition for a reduced volume of orders.

Sales by the overseas subsidiaries rose by 18 per cent to £78m. Mr Parsons says Monitor Products of California, acquired in June, came through the dramatic fall in demand in the US computer industry extremely well and produced satisfactory profits.

Turning to the current year the chairman discloses that results for the first quarter are above 1985. He is optimistic that the group will continue its progressive path and profits will again be a record.

After tax £9.43m (£9.42m) and minorities £870,000 (£724,000), profit attributable for 1985 came to £12.94m (£9.97m) for earnings of 29.1p (22.5p) per share.

The cash position remains extremely strong, the chairman says, and net liquid funds rose by £3.3m to £26m.

● comment

Throughout the ups and downs of the electronics sector, Bowthorpe clung to its laurels as a market favourite. Its shares emerged from yesterday's bearishness unscathed, ending the day unchanged at 465p. The Bowthorpe strategy of nurturing niche markets across a broad spread of applications and geographic areas is now well established. Perhaps perversely the only problematic area last year was the UK, where, in the wake of British Telecom's flotation, price pressure intensified and only a stringent cost cutting programme could salvage margins. The company is now heavily reliant on international earnings — with 60 per cent of last year's profits sourced overseas — and thus increasingly vulnerable to currency fluctuations. The decision at the interim stage to switch to average yearly currency translation resurrected £1.7m for this set of results. But currency hedging has been ruled out as a long term solution. The City expects profits of £28m, a p/e of 13, for 1986. Although Bowthorpe's future prospects will be determined by how efficiently it spends its cash pile of £20m.

Owners Abroad shows 72% profit growth as bookings climb

Owners Abroad Group, the USM quoted holiday tour operator, has lifted its turnover by 32 per cent and its pre-tax profit by 72 per cent in 1985. And the directors are looking for a good result in the current year.

They have also realised part of their investment in the company, and in the process given up control by reducing their combined stake from 54 per cent to around 30 per cent.

Kitcat & Aitken, the company's brokers, yesterday placed some 14.6m of the directors' shares with a spread of institutions at 30½p each. The directors have undertaken not to sell any more for at least 18 months.

Carryings rose from 831,000 to 1.08m passengers, turnover from £88.93m to £117.2m and the profit from £2.2m to £3.8m. Earnings grew by 52 per cent, from 2.24p to 3.4p, and the dividend is raised from 1p to 1.5p net.

The directors say the price war in the holiday business has reversed recent trends and substantially pushed up bookings for 1986, with the current figure for the group being 27 per cent ahead of last year. On top of that its margins are being maintained and the indications for the rest of the year are most encouraging, they say.

The recent purchase of Arrowsmith Holidays will enhance the tour operating division and provide a valuable addition to the aviation side, say the directors. With the rationalisation measures that have taken place they are confident of a profit contribution from Arrowsmith this year.

● comment

Owners Abroad's figures bettered most expectations, but the directors' divestment cast a pall over the shares and left them 1p down at 32½p. On the trading front it is difficult to establish what is leading the growth since the company resolutely refuses to break down the profits: the only certainty is that it was not the unfortunate 26 per cent stake in Omicron it acquired in March last year. Owners Abroad's shyness suggests that its seat broking activities are delivering margins somewhere between healthy and obese, and with sales ahead this year they must be contributing well over half the profits. On the package tour side bookings are ahead by 27 per cent, and although some of these are having to compete with the big operators, enough of them are in sufficiently specialist markets to keep the margins up, putting £4.6m in sight for this year.

Walter Lawrence profit on target at £3.1m

IN LINE with the forecast of mid-January, the Walter Lawrence group has increased its pre-tax profit from £2.95m to £3.15m in 1985. The final dividend is the promised 2.65p for a net total of 3.65p, against 3.42p adjusting for a two-for-one scrip issue.

Turnover the group, whose main interests cover house building, construction, manufacturing and engineering, rose from £114m to £132m.

Mr Brian Prichard, chairman, says the major contributor was again house building. Sites secured for the current year will enable these activities to keep producing acceptable margins, and the January rights issue of convertible redeemable preference shares, which raised some £3.6m, will enable the group to further the planned expansion in house-building generally.

This year there is an extraordinary charge of £1.64m (£495,000) being the cost of closing the door manufacturing operation. However, a recently secured planning permission for the site reinforces the directors' view that the sale in 1986 or development by the group will eventually produce an extraordinary profit.

Company Notices

NOTICE OF MEETING
TIME ASSURANCE SOCIETY
Registered Office:
80 Union Street, Oldham
Greater Manchester

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the above Society will be held at the Registered Office on Wednesday, 30th April 1986 at 12 noon

AGENDA

1. To approve the Minutes of the last Annual General Meeting held on 26th April 1985 and to consider matters arising therefrom
2. To elect a new Chairman.
3. To receive and adopt the Report of the Committee of Management and the Accounts for the year ended 31st December 1985
4. To receive and adopt the Report and recommendations contained in the Actuarial Valuations as at 31st December 1985
5. To elect members to the Committee of Management
6. To re-appoint auditors and authorise the Committee of Management to fix their remuneration. The present auditors are Peat, Marwick, Mitchell and Company.
7. To conduct any other business permitted by the Rules of the Society

D. R. REES (Secretary)


Head of Catering
Head of Production
Head of Planning
Head of Stock
Head of Marketing
Head of Holdings
Head of Sales
Head of Buying
Head of Finance
Head of Personnel
Head of Research and Development
LOW
HIGH

TECHNOLOGY

Detecting when there is no cause for alarm

Geoff Charlish on Securicor's new network that can think for itself

SECURICOR GRANLEY of Walton-on-Thames, the premises protection arm of the Securicor group, has spent £2m in revamping its central station network in which commercial and industrial sites are connected by automatic phone lines to central monitoring stations in major cities.

Starting in London, the new network, called Genesis, will be able to think for itself, embracing the latest sensor, computer and communications technology in an attempt to reduce false alarms, a problem for both police and keyholders. The police spent over £22m in 1985 and the cost to industry exceeded £36m.

Securicor believes false alarms have eroded the credibility of alarm systems and has tackled the problem on all fronts.

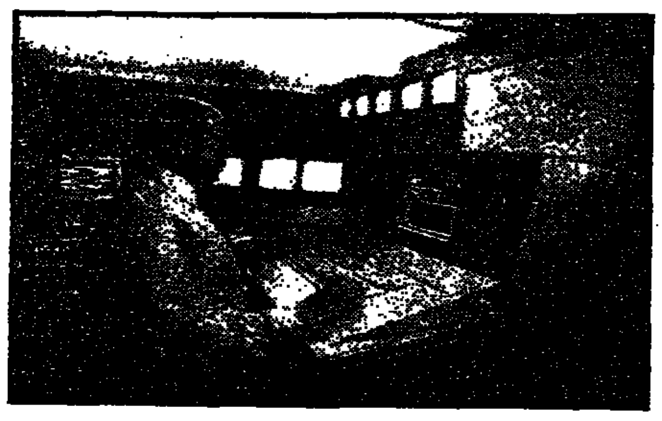
For some time it has offered passive infra-red detectors to sense the presence of an intruder from the heat he emits, together with ultrasonic and microwave movement detectors in which significant movement in the field of view of the devices disturbs the normal pattern of reflected energy.

Now Securicor has reduced the false alarms to which these sensors were prone by giving them enough intelligence to tell the local controller to which they are connected that although they are experiencing an abnormality, it is not due to an intruder.

The system can tell the difference between a true alarm or a "tampered with" condition on the one hand, or an operational or technical fault (emitter/receiver, cabling, power supplies, environment changes) on the other. The controller passes this information to the central monitor station over a phone line (autodialled or leased) so that non-intruder problems can be cleared without raising an alarm.

Each controller can deal with over 500 intruder circuits and any of them can send signals down the phone line to the central monitoring room. Communication between the controllers and the centre is two way, allowing interrogation of unusual conditions. The signals are also encrypted ("scrambled") to prevent technical interference by villains.

At permanently-manned control centres (the first is in the City of London), colour screens monitor events on premises and changes are quickly brought to the attention of the operators who, if the event is a true alarm, can alert police and keyholder. Otherwise they can call out maintenance engineers or take some other action. Several elements of the system are duplicated, including the central computers, with a spare on "hot standby" to take over in the event of a fault.



Central control station of Securicor Granley's new Genesis intelligent security system

Genesis can be applied to the corner shop or the large factory at little more cost than conventional systems says Securicor. The average cost of installations in the UK has been about £1,000, but the range is from a few hundred pounds to well over £20,000 for a large site. More on 0932 247501.

● A Dalek-like security alternative was described last week in London by Denning Robotics of Woburn, Massachusetts. Sensors, normally fixed to a wall or ceiling, are instead carried on a wheeled robot which moves up and down corridors and communicates with base.

A principal application in the US is likely to be in prisons, where it can cost $100,000 a year to maintain one guard on a 24-hour basis.

Denning is looking for manufacturing and marketing assistance in the UK for the robot, which costs $65,000. More from Mr R. Warren George on (617) 935 4840.

BT system that will pinpoint location of vehicles in fleet

VEHICLE LOCATION will be possible in the autumn from London out to the M25 using a system called Pinpoint launched by British Telecom.

Based on Plessey's Pace system announced in January, Pinpoint is aimed at fleet operators and will show the position of each vehicle on an electronic wall map. Security companies, the police, taxi operators, courier services and operators with vehicles carrying valuable loads or VIPs are likely to be interested.

Basically, the on-board unit, about the size of a cigar box, contains accurate coils of wire that cut the earth's magnetic field and produce voltages which, when digitised, provide bearing data to a microprocessor. With additional data about distance travelled derived from other sensors, the map co-ordinates at any moment can be worked out and sent over the vehicle's radio system to base where they can be displayed.

To correct for cumulative inaccuracies in the digital compass system produced by large metal masses, radio beacons will be mounted on lampposts and will transmit exact co-ordinates to passing vehicles, allowing them to update their dead reckoning microcomputer.

Vehicles will also send signals indicating their status (loading, waiting, etc) and in an emergency, the driver presses a button which produces an alarm on the base map.

TELEX WITH word processing and other computing is offered by Interfax Communications of London in a new multi-user system called ITF-X.

The system allows telexes to be prepared either directly using a simple screen editor or from the popular word processing software, Wordstar, or even from spreadsheet software.

Once created, the telex can be queued, dialled, and re-dialled (after an engaged line is encountered) completely automatically. Incoming telexes are also handled automatically, printed out and stored on disks. More on 01-378 7421.

Inbucon's mobile factory prepares to take to the road

WORTH WATCHING

EDITED BY GEOFF CHARLISH

CAR ELECTRONIC control systems and their interconnection within the vehicle are the subject of a joint development programme announced by West German car components company Robert Bosch and the US based "chip" company Intel.

The objective is to produce a range of chip-based products which Intel hopes will become an industry standard.

Electronics first appeared in cars in the form of electronic ignition, but since then has been applied to fuel injection, anti-lock braking, steering, anti-slip acceleration, security systems and the various measurements (speed, engine revolutions, oil pressure, etc) that are made and displayed on the dashboard.

But the new systems are tending to duplicate communications cables and sensors in the vehicle, adding to manufacturing cost and servicing problems. A standard form of network to link them, with all the signals going over one "multiplexed" cable, is desirable. In one model of Cadillac, for example, over 50 wires lead into the door alone.

Servicing of the growing collection of such systems would be made easier by diagnostic routines built in to the dashboard display.

A FACTORY on wheels is to be designed and commissioned by Inbucon Technology of London under a UK Department of Trade and Industry contract. The idea is to bring computer integrated manufacturing (CIM) to the attention of as many UK manufacturing executives as possible.

The fully functional factory, housed in a 42 ft articulated trailer, will demonstrate design, manufacture and testing of electronics printed circuit boards. Among the technologies to be used will be assembly systems, machine vision, infra-red glue curing, and the assembly by robots of non-standard components into boards. Inbucon is on 01-584 6171.

PUBLIC DISPLAYS using liquid crystal devices with high contrast (even in adverse ambient light conditions) are offered by Racal Microelectronic Systems of Reading, UK.

The new material used can give a blue, yellow, green or white character on a solid black background. The contrast ratio, at 25:1, is said to be twice that of previous devices.

FIRE, SECURITY and other alarm signals that might arise at any of a large number of remote sites can be mounted with a new system from ATS Telemetry of Haywards Heath, UK (0444 417531).

The system uses data concentrators, which allow a few phone lines to the central point to monitor many sites.

New oil sets wheels of textile industry spinning faster

BY ANTHONY MORETON

THOMAS SWAN, the UK-based speciality-chemicals concern, has introduced a coning oil which will allow machinery in the textile industry to be run 15 to 20 per cent faster and make for greater flexibility of production.

The company claims that the product gives it a three-year lead over its rivals, mainly in the US, and has raised hopes that Swan will be able to take the lion's share of a £45m-a-year market. Last year the company's turnover was £12m.

Coning oil is the lubricant which eases the passage of yarn on to a cone and, subsequently, on to a knitting machine.

The new oil, entitled CYGNA Coning Oil WS, is synthetic with water solubility. It has lower viscosity, lower volatility, and a better co-efficient of friction than previous coning oils. Apart from the advantages this gives in increasing the speed at which machinery can run, water solubility means the oil can be removed in either cold or warm water without the use of detergents. Thus it offers considerable energy savings.

Also, as the oil is stable to heat, knitted fabrics do not have to be scoured, eliminating one process in the knitted garment production chain.

Mr Thomas Swan, managing director of the privately-owned company, says CYGNA will "allow better lubricity and static control, give greater stability and lower volatility, and offer fewer risks of toxicity. In addition it does away with problems associated with the presence of emulsifiers and enables considerable savings to be achieved in dyeing and finishing."

He sees a market for coning oils of between 40,000 and 50,000 tonnes a year outside the Soviet bloc. "Given our technical lead, we should be able to take a healthy share of this," he states.

The US Market, with its long production runs of man-made fibres, is the prime target for Swan. An American subsidiary has been set up.

Thomas Swan was set up by Mr Swan's grandfather in 1926. Its original interests centred on asphalt production and roadstone quarrying. Thirty years ago the company switched into chemical additives for the road industry, and then developed into speciality chemicals.

In the mid-1970s, failure to keep up with technical developments led to a decline in the company's fortunes. This was when Mr Swan took over control, and ownership, from his father.

He explains, "my first task was the painful one of cutting out deadwood. But by working to a strategy of concentrating on speciality chemicals, we have gradually built up the workforce to around 100, and in both 1984 and 1985 turnover doubled."

Apart from the US move, Mr Swan has taken the company into the manufacture of equipment and materials for the advanced semi-conductor industry.

"We are a much broader-based company now, and the future looks bright," he says.

Cost benefits stretch to man-made fibres

CONING OILS comprise three main ingredients: a lubricant; an antistatic ingredient; and an emulsifier, such as a surfactant, to mix the component parts.

Until the mid-1960s these oils were fatty-oil and mineral-oil based products; then Shell Chemicals developed a synthetic water-soluble lubricant in the UK which was used, largely in the woollen industry, especially for carpet yarns.

The problem with water-soluble lubricants is that they are highly volatile and tend to be toxic, the former reducing the speed at which machines may be run and the latter causing expensive filtering operations to be installed before the effluent can be discharged with complete safety.

Viscosity can be lowered in synthesis but only by making the oil more volatile and reducing its lubricating standards.

The attraction of water-based solvents, even with their limitations, is that they allow yarns and fabrics to by-pass scouring, an expensive operation.

Mr Swan claims that the CYGNA series of products are based on a new synthetic lubricant of low viscosity, extremely low volatility with excellent lubricating characteristics.

Furthermore, he says, the oil has been produced not just more cheaply but in such a way that it can also be used in place of mineral-oil-based lubricants which are still used in the production of man-made fibres.

It will be possible, he believes, to spray the extrusion nozzles through which nylon passes, thereby allowing the fibre to be extruded more speedily, thus allowing end cost to be reduced.

CYGNA is, he says, a new generation of fibre-processing aids which offers enormous advantages compared with even the most soluble mineral-oil-based products.

"The point about our new oil is that we can produce it cheaply and it is now capable of being used in companies operating with man-made fibres. A whole new market is opening for us."

FT LAW REPORTS

Application for contempt needs Attorney-General's consent

ROGER BULLIVANT LTD AND OTHERS v ELLIS AND OTHERS

Chancery Division: Mr Justice Falconer: March 25 1986

WHERE IT is alleged that a person has circulated letters tending to interfere with the course of justice in ongoing proceedings, an application to commit him to prison for contempt of court will fail if made without the consent of the Attorney-General.

Mr Justice Falconer so held when dismissing a motion by Mr Michael Frank Ellis and others to commit to prison for alleged contempt of court Mr Roger Bullivant, third plaintiff in an action against Mr Ellis and four other defendants. The first and second plaintiffs in the action were two companies, Roger Bullivant Ltd and Roger Bullivant (Midlands) Ltd. Committal was also sought of Mr P. S. Morley, the companies' group managing director.

Section 1 of the Contempt of Court Act 1981 provides: "In this Act the 'strict liability' rule means the rule of law whereby conduct may be treated as a contempt of court as tending to interfere with the course of justice in particular legal proceedings . . ."

Section 2(2): "The strict liability rule applies only to a publication which creates a substantial risk that the course of justice in the proceedings in question will be seriously impeded or prejudiced."

Section 6: "Nothing in the foregoing provisions . . . (a) prejudices any defence available at common law . . . (b) implies that any publication is punishable . . . which would not be so punishable apart from those provisions; (c) restricts liability for contempt of court in respect of conduct intended to impede or prejudice the administration of justice."

Section 7: "Proceedings . . . under the strict liability rule . . . shall not be instituted except by or with the consent of the Attorney-General."

* * *

HIS LORDSHIP said the action was for breach of confidence seeking restraint of former employees of the plaintiff companies, from making use of their confidential information: for infringement of copyright; and for infringement of patent.

The companies applied in 1985 for an injunction against the defendants and interlocutory injunctions were granted.

The present motion was brought by the defendants in respect of a letter sent out by the companies to a number of persons with whom they and the defendants might be concerned in business.

The letter was dated after the grant of the interlocutory injunction and related to the existing litigation. It was signed on behalf of Roger Bullivant Ltd by Mr Morley.

The letter read: ". . . It appears to us that Mr Ellis has pirated our techniques, our expertise and our contacts . . . Whether those conclusions are or are not correct is something that will be tested at the forthcoming trial . . . Mr Ellis has stated that the information he used was not confidential . . . that our patents are invalid . . . and that the relevant tools were not copies and are not protected by copyright. If he were right, and this is of course for the courts to decide, then we would lose the action.

"I have been given to understand that you may have formed the impression that we had resorted to litigation in order to 'do down' a former employee who had the temerity to compete with us. The purpose of this letter is not to invite you to take sides in the dispute . . . but simply to assure you that this is not the case."

On the present motion the defendants sought an injunction against the companies to restrain them from distributing further copies of the letter; and *inter alia* for committal to prison of Mr Bullivant and Mr Morley and/or for leave to issue a writ of sequestration against the companies' assets.

The defendants said the letter put forward a wholly unbalanced and one-sided account of the litigation and, having regard to the persons to whom it was sent, affected potential witnesses. It was said that the letter was really seeking to prejudge the issues in the litigation.

The plaintiff companies said the letter sought to correct misconceptions about the litigation of which they had learned in the ordinary course of business.

At an early state in the opening of the motion, Mr Shipley, for the companies, took a preliminary procedural objection. He said the letter fell within selection 1 of the Contempt of Court Act 1981 and the proceeding therefore should not have been brought without the consent of the Attorney-General. It was common ground that no consent was sought or obtained.

Mr Fitzgerald, for the defendants, made out a number of submissions as to why his application was taken out of the ambit of the Act and therefore did not require the consent of the Attorney-General.

First, he submitted that the Act created a new statutory form of contempt, leaving the common law jurisdiction still available to a complainant if he sought to use it.

In other words, he said, there were now two parallel jurisdictions in contempt for matters which fell within the definition of section 1—the statutory jurisdiction and the common law jurisdiction.

That submission was not accepted. The Act limited the ambit of contempt by section 2 but, under section 6(a), carefully preserved the defences available under the common law.

Under section 6(b) the wording "implies that any publication is punishable . . . which would not be so punishable apart from those provisions" made it clear that the ambit of the contempt covered by the definition had not been widened by the Act from that which obtained at common law.

If Mr Fitzgerald were right, any respondent to an application for committal who brought himself within one or other of the statutory defences could be met by the complainant saying that his complaint was not brought under the statute but as a common law contempt and, therefore, the statutory defence on which the respondent relied was not available to him.

That could not possibly be right.

The statute was an amending one circumscribing the ambit of contempt of court as it was at common law in the field covered by what was now the definition in section 1. It was not creating a new and separate statutory field of contempt of court.

Mr Fitzgerald's second and alternative submission was that there was intent to impede or prejudice the administration of justice within section 6(c) and "Nothing in the foregoing provisions of the Act (c) restricts liability for contempt of court in respect of conduct intended to impede or prejudice the administration of justice."

But Mr Shipley was clearly right in his submission that irrespective of whether intent was alleged or not, section 7 applied in respect of any matter falling within section 1. Section 6 was very carefully phrased to apply to the foregoing provisions and had no application to section 7.

On that view therefore, the consent of the Attorney-General before bringing the proceedings was required even if it were a case of intent, which had not been decided.

A third and alternative submission by Mr Fitzgerald turned on the wording of the definition in section 1, "as tending to interfere with the course of justice in particular legal proceedings." He said that the Act, in view of "particular legal proceedings," had no application to contempt which affected the administration of justice in general.

Mr Ellis's affidavit evidence stated that he believed the Bullivant letter was calculated to have harmful effects. First, he said, it would put people off doing business with the defendants. Secondly, it would damage the professional and personal reputation of the defendants. Thirdly, it would dissuade witnesses from coming forward to testify on the defendants' behalf and prejudice other witnesses against them.

As to the first and second of those effects, they had nothing to do with contempt by affecting the administration of justice in general. The third was specifically concerned with the present action. It was not general and therefore not outside the ambit of section 1.

Finally, Mr Fitzgerald said that even if the court were against him on his application in respect of committal and sequestration, it could nevertheless grant an injunction to prevent further distribution of the letter if the court concluded that it should not have been sent.

He cited *Peacock v London Weekend Television* (Court of Appeal, November 15 1985), where it was said that an interlocutory injunction to prevent an anticipated contempt could be obtained; and that section 7 of the Contempt of Court Act 1981 did not apply until an alleged contempt had been committed.

In the present case an alleged contempt had been committed. That distinguished it from *Peacock*. The submission was therefore rejected.

For Mr Ellis and other defendants: John V. Fitzgerald Broadbents (Alfreton).

For the companies and Mr Bullivant: N. G. Shipley (Gouldens).

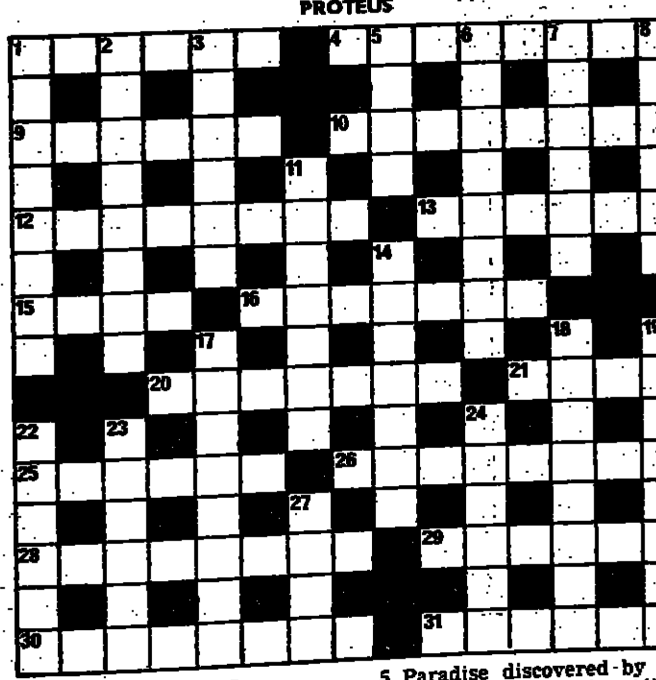
By Rachel Davies

Barrister

THESE REPORTS, together with full texts of judgments, are published in monthly volumes. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0391.

FT CROSSWORD PUZZLE No. 5,998

PROTEUS



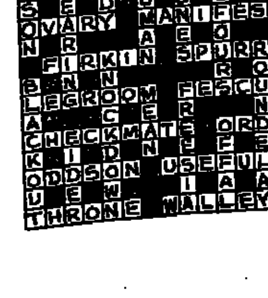
ACROSS

1 Jumps at openings (6)
4 Having done this perhaps he's all for a good time (8)
9 Go where lots of others go (6)
10 The other sides' misfortunes. (8)
12 A big help sporting the kilt? (8)
13 Monthly return expert has to accept and agree (6)
15 Flat capable of being halved exactly (4)
16 He faces facts about a heel (7)
20 Cheerful if occasionally unsuccessful apparently (7)
21 Pure water (4)
25 Move to action when told within visual range (6)
26 Representative of French ambassador (8)
28 Betokens wine shortage perhaps (8)
29 Left first-class return for female advocate (6)
30 Articles of furniture actors need to put their costumes on (8)
31 Decoration to make a king cross (6)

DOWN

1 Wav murderer may be exhibitionist (8)
2 Attacked when the animal wasn't well (8)
3 Checked stuff for Sailor Brown (6)
5 Paradise discovered by old-fashioned enterprise (4)
6 Gloomy-looking as a theatrical director? (8)
7 Section of foot marching as one it seems (6)
8 One who checks old coin (6)
11 Let out and let out again (7)
14 Softwood pipe-man (7)
17 Cause pain by having to remove locks? (8)
18 Editor visibly embarrassed by player (8)
19 Produce sickly green tea concoction (8)
22 Given money to keep very quiet about diet perhaps (6)
23 Hard to find blemish on church (6)
24 Transfer to intermediate class (6)
27 Some wondered over uprooting flower (4)

Solution to Puzzle No. 5,997



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

AUTHORISED UNIT TRUSTS & INSURANCES

Sentinel Funds Mngmnt Ltd
30 City Road, London EC1Y 2AY 01-628 6626

American Majors	69 7	74 6	+0 4	1 12
Amer Tech & Genl Fd	105 2	112 6	+1 5	0 55
European Growth	28 2	30 2	-0 7	0 03
European Income	31 4	33 6	+0 1	5 00
Exempt	539 7	576 4		2 03
Inted Growth Fd	26 8	28 7	+0 1	0 13
International Income	56 9	60 3	+3 1	4 96
Jap Tech & Genl	84 1	90 0	+0 4	0 01
Pacific Fund	150 1	160 6	+0 1	0 01
Secure Income Fd	175 6	187 9		4 54
Small Co's Fd	37 4	40 0	-0 2	1 45
Special Sits	213 7	228 6	-5 7	2 18
UK General Fund	35 0	37 5	-0 9	2 32

Standard Life Trust Mgmt. Ltd
3 George St Edinburgh EH2 2XZ 031 225 2552

Income Units	25 1	27 5	-0 5	2 40
Accum Units	27 8	30 4	-0 6	2 40

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	223 7	238 2	+1 4	2 14
(Accum Units)	251 2	267 5	+1 6	2 14
(Withdrawal Units)	161 9	172 2	+1 1	2 14
Australian Fund	124 3	132 4	+0 3	1 01
(Accum Units)	125 7	133 9	-0 3	1 01
British Fund	584 7	622 7	-3 3	4 27
(Accum Units)	787 6	838 8	-4 4	4 27
European Fund	261 7	278 7	+0 4	0 88
(Accum Units)	275 6	293 5	+0 5	0 88
Japan Fund	255 9	272 5	+0 6	0 37
(Accum Units)	257 2	273 9	+0 6	0 37
Savers PPP	165 1	173 8		

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst	392 5	417 5	-2 1	2 29
North America	57 9	61 5	+0 4	1 23
Far East	65 2	69 3	+0 3	0 11

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc	31 9	34 0	+0 4	1 4
American Income Acc	30 8	32 7		5 5
American Income Inc	30 4	32 3	-0 1	5 5
European Growth Acc	48 2	51 3	+0 1	0 8
Far East Growth Acc	36 4	38 7	+0 2	0 6
Int Growth Acc	32 8	34 9	+0 2	2 0
Japan Growth Acc	45 5	48 4		0 1
UK Growth Acc	36 5	38 9	-0 6	2 7
UK Income Acc	32 8	34 9		5 3
UK Income Inc	32 1	34 1	-0 5	5 3
Managed Growth Acc	38 6	41 0	+0 1	2 0
Managed High Yield Inc	46 3	49 2	-0 4	7 0
Managed Income Inc	37 5	39 9	-0 5	3 5

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)

TSB Unit Trusts (b) (c) (y)

3i Unit Trust Managers Ltd

Target Trust Mngrs. Ltd (a)(g)

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. Co (y)

Touche Remnant Unit Trust Mngt Ltd

Tyndall Managers Ltd(a)(b)(c)

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mgmt. Ltd

Vanguard Trust Managers Ltd

Wardley Unit Trust Managers Ltd (a)

Waverley Asset Management Ltd (a) (c) (g)

WestAven Unit Trust Managers Ltd(a)(c)

Whittingdale Unit Trust Managers

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01 833 2303
Life Funds (Accumulator Units)

Squirrel	10 38	10 93		
Bear	11 34	11 94		
Owl	11 89	12 82		
Bull	12 30	12 95		
Stag	11 94	12 57		
Gilt-Edged		11 03		
Deposit		9 57		

Pension Funds (Accumulator Units)

Squirrel	10 93	11 51		
Bear	12 18	12 83		
Owl	12 98	13 56		-
Bull	13 52	14 24		-
Stag	13 09	13 78		-
Gilt-Edged		11 03		
Deposit		9 63		

Exempt Approved

Mixed Managed	131 09	133 77		-

Albany Life Assurance Co Ltd
3 Darkes Lane Potters Bar 0707 42311

Equity Fd Acc (z)	714 7	752 3	-0 3
European Fd Accum (z)	190 9	200 9	+0 8
Fixed Int Acc (z)	306 3	322 4	+0 2
Gtd Money Fd Acc (z)	195 4	205 7	+0 1
Intl Man Fd Acc (z)	291 6	306 9	+0 2
Intl Fxd Int Fd Acc (z)	176 0	185 2	-0 4
Japan Fund (z)	207 3	218 2	+0 6
Nth American Fd Acc (z)	163 5	172 1	
Prop Fd Acc (z)	198 2	208 6	+0 1
Multiple Inv Acc (z)	499 3	525 5	

Pension Funds

Eq Pen Fd Acc (z)	1293 9	1361 9	-0 9
Euro Fd Acc (z)	241 4	254 1	+1 6
Fixed Int Acc (z)	575 5	605 7	+0 6
Gt Money Pn Acc (z)	314 6	331 1	+0 3
Intl Man Fd (z)	406 7	428 1	
Jap Pen Fd Acc (z)	266 2	280 2	+1 1
N Am Pn Fd Acc (z)	190 2	200 2	
Property (z)	289 2	304 4	+0 3
Multiple Inv Pens Acc (z)	925 4	974 1	-0 2

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

Fixed Int Dep Acc	215 8	227 2
Equity Acc	634 8	668 3
Property Acc	311 3	327 4
Far East Acc	126 9	133 6
Managed Cap	312 0	328 5
Managed Acc	503 9	530 5
O'seas Earnings Acc	423 3	445 6
Gilt Edged Acc	271 9	286 3
American Equity Acc	353 7	372 4

Ambassador Life Ass. Co Ltd

Baltic Assurance Funds

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

British National Life Assurance Co Ltd

Canada Life Group

Cannon Assurance Ltd

Chase de Vere Investments Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

First Financial Services PLC

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Linked Life Assurance(s)

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Ass. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration (z)

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co. of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The LAS Group

Langham Life Assur. Co. Ltd

Legal & General (Unit Assur) Ltd

Legal & General Prop. Fd. Mgrs. Ltd

Liberty Life Assurance Co Ltd

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London Life—Continued

London & Manchester Group

M & G Group

MGM Assurance

Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

Norwich Union Insurance Group

PBR Fund Management Ltd

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Ass. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Assurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Sentinel Life plc

Sharp (Albert E.) & Co.

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $16.70 ... −0.13 ... –

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $16.24 ... +0.11 ... –
Inv. Adv.: M & G Inv. Mngt. Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $14.93 ... −0.06 ... –
Dynamic Gwth Fd ... 14.96 ... +0.01 ... –

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey ... 0481 26268
Zero Bond Fund ... $11.89 ... 12.60 ... –

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	10.85	–	–	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.10	8.23	12.06	6mth
7-day Fnd	11.59	8.68	12.71	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.58	8.11	11.65	6-Mth
7-day Fund	10.98	8.21	11.80	6-Mth
Dollar	6.00	–	–	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Car Acc	10.50	7.60	11.01	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	11.00	8.22	12.12	Qtr
Mth. Int. Chq	11.00	8.22	12.20	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	11.125	8.32	12.17	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.06	7.51	10.96	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.125	7.375	10.68	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	9.75	7.29	10.77	Mth
Over £10,000	10.00	7.48	11.06	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc	10.75	8.04	11.68	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	128
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	108	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit Oil & Min	2½
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Australia enters the farm trade battle

BY PATRICIA NEWBY IN CANBERRA

THE AUSTRALIAN Government yesterday announced a A$150m (£73m) package of measures aimed at making Australian agricultural exports more competitive on world markets.

However, with the exception of the sugar industry, the Government has rejected calls from parts of the rural sector for across the board subsidies.

In a comprehensive statement on the rural economy to the Australian Parliament, the Primary Industry Minister, Mr John Kerin, said the Government could not afford subsidies on the scale of Europe and the US. Such price support would be "enormous" (around A$5bn) and destabilise the macroeconomic environment," making the farm sector's problems worse.

However, he did announce a A$23m increase in interest subsidies for the Rural Adjustment Scheme. This will enable authorised lenders to advance another A$200m to farmers at concessional interest rates — currently about 8.5 per cent or half commercial rates. The A$23m on top of A$8.2m already committed for the financial year 1986-87 represents a 280 per cent increase in funding on this financial year which ends on June 30.

The so-called "rural crisis" is evident in Bureau of Agriculture Economics figures projecting a 21 per cent fall in the net real value of rural production in the current financial year with another 21 per cent fall projected for next year. Average incomes on family farms are projected to fall by 68 per cent and many farmers are facing losses this year.

About 12,000 of Australia's 170,000 farms are considered by the BAE to be "at risk" of bankruptcy.

In an effort to reduce farmers' costs, tariffs on imported agricultural machinery are to be replaced by "bounties," and a guarantee has been given that the cost of imported fertilisers will not rise as a result of a current anti-dumping review. Farmers have already obtained exemption from the Government's excise for on-farm use of diesel fuel.

There is to be a Royal Commission investigating the domestic handling, transport and storage of wheat, as it is widely believed that these charges are much higher in Australia than in competing countries. Many other reforms are planned to make individual rural industries more competitive and market-oriented.

Under pressure from the rural sector the Government has also withdrawn the plan announced last year to quarantine farm losses for *taxation purposes*. Farmers will continue to be able to write off for tax purposes farm losses against income from off-farm sources. In addition, the Government has decided to lift the threshold above which foreign investment proposals in rural land are subject to approval from A$1m to A$3m. Mr Kerin said in the current economic climate the restriction could be acting to exacerbate the decline in land prices occurring in some areas.

The 89-page Economic and Rural Policy document addressed wider macro-economic issues and reiterated the Government's pledge not to allow government spending, the size of the domestic budget deficit or taxation to increase as a proportion of GNP during the life of the present parliament.

In spite of the Government's efforts, the so-called "rural revolt" is likely to continue with further demonstrations by farmers already planned. Mr Ian McLaughlin, president of the National Farmers Federation, said the Government's tariff reforms were worth about A$50m in farmers' hands when farmers were already paying about A$350m in tariff and fuel excise "before producing a kilo of wheat or wool."

As Mr Kerin was addressing parliament, Mr Bob Hawke, the Prime Minister, left for the US for talks with President Reagan and Administration officials aimed at minimising the effects of the US Food Security Act on Australian agricultural exports. The Act, otherwise known as the farm bill, lowers the price of US exports and provides export subsidies in a bid to win back lost markets.

A major concern is that US subsidised beef exports to Asia might trigger off a trade war with the EEC in the heartland of Australia's beef trade.

Agriculture employs 7 per cent of the Australian workforce, comprises 10 per cent of economic activity and accounts for 37 per cent of export income.

● The Australian Government yesterday announced its long-awaited price support plan for the sugar industry.

Sugar prices will be supported up to a maximum of A$230 for 1985, dropping to A$225 and A$220 *a tonne for* 1986 and 1987.

The Federal and Queensland State Governments have been wrangling over responsibility for price support for the sugar industry since late last year.

Queensland has refused to support the industry outright saying it is a Federal Government matter. The Federal Government has chosen to interpret Queensland's offer of A$27m in interest subsidies as its share of price support and is willing to provide another A$100m over the three years if necessary.

At present the world sugar price is above the level at which the Government would need to intervene with price support.

Wheat war adds to Canada's woes

BY BERNARD SIMON IN TORONTO

FALL OUT from the US-EEC wheat war reached the Canadian prairies last week when the wheat board slashed next season's producer prices for grains by between 19 per cent and 27 per cent.

The unexpectedly sharp price fall is a severe blow not only to farmers, but to the entire resource-based economy of western Canada. The provinces of Alberta and Saskatchewan are already reeling from the sudden decline in oil prices and from a two-year drought. According to Bank of Nova Scotia forecasts, Alberta's economy will shrink by 0.4 per cent in real terms this year after growing by 4.5 per cent in 1985.

The Federal Government in Ottawa announced earlier this week a record C$520m (£251m) interim payment to farmers from the Western Grain Stabilisation Fund, which is made up of contributions from farmers and the Government. The provincial government of Alberta has unveiled a C$2bn low-interest loan scheme for farmers and will provide another C$576m to stabilise livestock and grain prices.

Farmers say they need much more to compensate for the sharp fall in prices, which ranges from a 19 per cent drop for wheat to a 27 per cent plunge for barley.

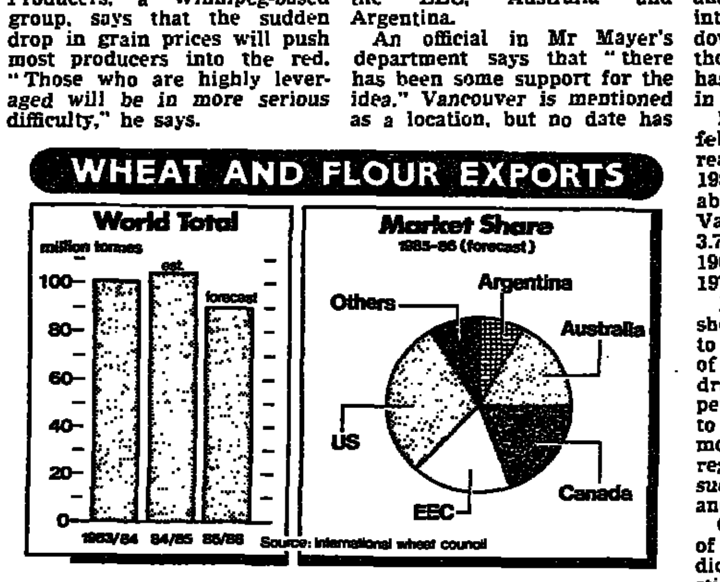
The Federal Stabilisation Fund is a voluntary programme in which a quarter of prairie farmers have chosen not to participate. Furthermore, with payments based on sales and earnings in the previous three years, farmers in southern Alberta and Saskatchewan—the areas hit hardest by the drought—will receive little from the fund.

Concern at the financial crunch facing western agriculture is reflected in the growing number of small but vociferous "farm survival" movements.

Even the more conservative farmer groups have urged further action, including Government deficiency payments, to boost farm incomes and the creation of "farm review boards" to negotiate with banks for the write-off of a portion of farm debts.

Mr Jack Penner, president of Keystone Agricultural Producers, a Winnipeg-based group, says that the sudden drop in grain prices will push most producers into the red. "Those who are highly leveraged will be in more serious difficulty," he says.

WHEAT AND FLOUR EXPORTS



Like Australia and Argentina, Canada has been put in an awkward position by the wheat war. The Canadian Wheat Board says that it will meet competition from the US and the EEC "to the extent we can." But Mr Bill Strath, president of Manitoba Pool Elevators, one of the country's largest farm co-operatives, adds that "Canadian farmers can't compete with the treasuries of the EEC and the US."

Canada is the world's sixth largest wheat producer, but the second biggest exporter, accounting for about 20 per cent of world trade. About 80 per cent of the Canadian crop is sold abroad. Canadian exports between the start of the current season on August 1 and March 31 were 15.5m tonnes, roughly the same as last season. In an effort to bring some order to the market, Canada's Wheat Minister, Mr Charles Mayer, is trying to arrange a meeting of cabinet-level politicians from the US, the EEC, Australia and Argentina.

An official in Mr Mayer's department says that "there has been some support for the idea." Vancouver is mentioned as a location, but no date has been set for a meeting. *Canadian farmers have had the* consolation up to now that their plight is not as severe as the crisis in US agriculture. For this they can thank a sharp depreciation in the Canadian dollar and the Canadian Banking system. The half-dozen strong, well-diversified institutions which dominate Canadian banking have provided a sturdier prop for farmers than the myriad small regional US banks heavily exposed in the farming sector.

Mr Douglas McRorie, vice-president for agricultural services at Royal Bank of Canada, says that the bad debt rate on farm loans has remained constant at about 5.5 per cent for the past few years. A government report late last year concluded that "the agricultural industry as a whole continues to be in a reasonably healthy financial position."

Land prices in Canada rose less rapidly during the 1970s than those in the US. While *falling incomes, lower inflation* and continuing high real interest rates have pushed down Canadian farm prices in the past few years, the decline has also been less severe than in the US.

Farmland values in Canada fell by 11.2 per cent a year in real terms between 1983 and 1984, with the decline probably accelerating last year. Values rose by an average of 3.7 per cent a year during the 1960s and 6.4 per cent in the 1970s.

Before last week's price shock, prairie farmers planned to plant a record 28.1m acres of spring wheat this year. The dramatic drop in prices may persuade some growers to turn to other crops, especially commodities whose prices are not regulated by marketing boards, such as oilseeds, peas, lentils and canary seed.

On the other hand Mr Strath of Manitoba Pool Elevators predicts that most farmers will stick to wheat, relying on strong demand for Canada's high-quality No 1 and 2 Red Spring varieties to ensure generous quotas and wide price premiums. Top grade, high protein Canadian wheat currently sells at C$100 a tonne more than US winter wheat. Furthermore, the Canadians have a number of guaranteed markets for high quality grain, including the Soviet Union (5-6m tonnes a year), Britain, Japan, Iraq and Egypt. The quality of Canadian wheat "is the one strength that we do have," Mr Strath says.

High-grade wheat is currently in short supply after much of last year's harvest was damaged by unusually heavy autumn rains. Farmers may gamble that after two bad seasons, the weather won't let them down again.

US to aid citrus export advertising

By Our Commodities Staff

THE US Department of Agriculture has come up with a novel scheme to aid citrus exports. This time, instead of subsidising the selling price, as with other commodities, it is offering to reimburse up to 75 per cent of the cost of export promotion campaigns.

The scheme covers advertising of fresh and processed citrus produced in Arizona and California and is designed to help offset adverse effects of preferential EEC tariffs and a retaliatory import duty imposed on EEC imports of US lemons last November.

Reimbursement will be in the form of generic marketing certificates for commodities owned by the Commodity Credit Corporation.

The promotional activities will be carried out co-operatively between the USDA and producers and packers, and will be concentrated in the Pacific Rim area comprising Japan, Hong Kong, Singapore, Malaysia, Taiwan, South Korea and New Zealand. This area purchased about 70 per cent of the $332m worth of US oranges and lemons exported in 1984-85.

Some promotion may also be undertaken in Western Europe.

● US agricultural exports to the Middle East and North Africa declined by 31 per cent last year, according to the USDA, reports Reuter from Washington.

UK milk pricing "illegal"

BY ANDREW GOWERS AND RAYMOND HUGHES

GOVERNMENT fears that the UK could lose substantial agricultural payments from the EEC grew yesterday, when the European Court of Justice was advised that Britain's former dual pricing system for milk *used in manufacturing* butter broke Common Market law.

Mr Jean Mischo, one of the court's Advocates-General, supported a complaint brought against the UK by the European Commission, backed by France.

He said that by permitting the Milk Marketing Board (MMB)—the co-operative of English and Welsh dairy farmers—to operate a dual pricing system for *milk, depending on* whether it was to be used for the manufacture of packet butter for retail sale or for bulk or intervention butter, the UK had been in breach of a 1978 Community regulation.

The Luxembourg-based court will give its decision later in the year. Although they are not bound by the views of the Advocates-General, in the great majority of cases the judges *reach the same conclusions.*

If they accept yesterday's recommendations, the way would be open for the Commission to withhold significant sums of money which would have been due to the UK in reimbursement of agricultural payments. The British Government has itself gone to court to challenge a Commission decision to withhold earlier payments on similar grounds.

The European case also has a bearing on a separate lawsuit in the British courts, in which the Irish Dairy Board is suing the MMB for damages totalling £12m as a result of alleged distortions to competition caused by the dual pricing system.

Critics of the MB claim that the system, which was wound up two years ago at the insistence of the British Government, enabled British buyers of *milk for manufacture* into packet butter to obtain the product more cheaply than their foreign rivals could.

The Community regulation being considered by the court permitted differential pricing of milk "on the basis of the use intended by the buyer."

The UK had argued that this phrase authorised dual pricing for different end-product markets. Mr Mischo, however, supported the Commission's interpretation: that "the use intended" was the manufacture of butter, without drawing distinctions between the nature of different buyers.

Euro-MPs begin debate on farm price proposals

THE EUROPEAN Parliament yesterday launched its debate on the annual farm price proposals of the European Commission, facing the real possibility that the divided political groups may be unable to reach any majority conclusion this week.

Members of the assembly have to vote on Thursday on 464 amendments to a report on the price package. The document rejects the Commission's proposal for a broad price freeze, and opposes many details of its plans for stricter market management.

If the MEPs fail to reach any *conclusion—as they* did in the last major agricultural debate two years ago—the Commission's Green Paper for reform of the Common Agricultural Policy—the whole process of price-fixing cannot be finalised next week at the Farm Ministers' meeting in Luxembourg.

Strike ends at Peruvian mine company

CENTROMIN, Peru's biggest state-owned mining company, reported that operations were getting back to normal at its mines yesterday as its 13,000 workers ended their seven-week strike.

Centromin is Peru's leading producer of silver, zinc and lead, and its annual export earnings of around $400m represent about one-seventh of the national total.

LONDON MARKETS

THE LONDON coffee futures market broke sharply out of its recent narrow trading range yesterday with the July position ending £140 down at a 10-week low of £2,223 a tonne. The market had already lost considerable ground when New York prices moved down the permissible daily limit in the afternoon, and this triggered further selling in London. Dealers said the fall reflected "increasingly bearish near-term sentiment," which was encouraged by news of a significant increase from 1.8m bags (60 kilos each) to 2.96m bags in estimates for this year's coffee bean output in the Brazilian State of Sao Paulo. As prices moved lower stop-loss sell orders were triggered and speculative short selling was encouraged. On the London Metal Exchange the price trend remained uncertain. The biggest movement was once again in the aluminium market, where the cash position moved £23 *lower to £754 a* tonne. Dealers said the prospect of a quick settlement to US labour contracts was an influence in the market's continued weakness.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	753-5	—23	—
3 months	766-7	—22.75	781/765

Official closing (am): Cash 750.5-1.5 (787-88): three months 763-4 (798-8.5): settlement 751.5 (788). Final Kerb close: 768-69. Turnover: 24,375 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/low
Cash	965.5-6.5	+5	
3 months*	985.5-6	+5	989/982

* Grade "A"

Official closing (am): Cash 967.5-8 (971-1.5): three months 987-7.5 (991-2): settlement 968 (971.5). Final Kerb close: 984.5-5.

Cathodes			
Cash	964-5	+9	—
3 months*	980-2	+7	—

Official closing (am): Cash 970-1 (966-8): three months 981-4 (984-6): settlement 971 (968). Turnover: 29,575 tonnes US Producer prices 67-74 cents per pound.

LEAD

Official closing (am): Cash 245.5-6 (248-8.5): three months 253.5-4 (255.5.25): settlement 246 (248.5). Final Kerb close: 254-5. Turnover: 7,700 tonnes. US Spot: 18.5-20 cents per pound.

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	246-7	—1.75	—
3 months	254-4.5	—0.25	256/255.5

TIN

KUALA LUMPUR TIN MARKET: Close: 14.78 ringgit per kg, up 0.8 ringgit.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	2720-5	+1	2725/2725
3 months	2760-5	—	2780/2765

Official closing (am): Cash 2,715-20 (2,730-40): three months 2,775.8 (2,790-5): settlement 2,720 (2,740). Final Kerb close: 2,785-90. Turnover: 876 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	440-1	+5	—
3 months	450.5-1	+.45	454/450

Official closing (am): Cash 441-2 (438-8.5): three months 453.5-4.5 (449.5-50): settlement 442 (438.5). Final Kerb close: 451-2. Turnover: 4,850 tonnes US Prime Western: 32.5-35.6 cents per pound.

GOLD

Gold fell just $¾ an ounce from Monday's close in the London bullion market yesterday to finish at $340½-341. The metal opened at $343¼-344¼ and traded between a high of $343¼-344¼ and a low of $339¼-339¾. The day's high was touched in the morning after news of US attacks on Libya. However, there was a lack of follow-through buying and traders took profits as a result.

GOLD BULLION (fine ounce) April 15

Close	$340½-341	(£230¼-230¾)
Opening	$343¼-344¼	(£232½-233)
M'n'g fix	$343.20	(£230.132)
Aft'n'n fix	$341.75	(£231.146)

GOLD AND PLATINUM COINS

Kr'g'rnd.	$343½-344	(£232½-232¾)
½ Krug.	$179¼-181	(£121¼-122½)
¼ Krug.	$91½-92½	(£62-62½)
1/10 Krug.	$37-37½	(£25-25½)
Mapleleaf	$352½-353	(£238½-239)
Angel	$351-353	(£237½-239)
1/10 Angel	$34¼-39½	(£23¼-26¾)
New Sov.	$82¼-85¼	(£56-56½)
Old Sov.	$88-89½	(£59½-60½)
$20 Eagle	$430-470	(£291-318)
NoblePlat	$439¼-444¼	(£297¼-301)

SILVER

Silver was fixed 7.55p an ounce lower for spot delivery in the London bullion market yesterday at 363.25p. US cent equivalents of the fixing levels were: spot 537c, down 10.65c; three-month 546.35c, down 10.65c; six-month 553.7c, down 11.3c; and 12-month 571.65c, down 12c. *The metal opened at* 367¼-369p (543-545c) and closed at 364-365½p (538-540c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	363.25p	—7.55	364p	+6
3 months	371.90p	—7.75	373.5p	+6
6 months	379.95p	—7.75		
12 months	396.35p	—8.50		

LME—Turnover: 3 (7) lots of 10,000 oz.

Three months high/low 373p, final kerb 370.5-2.5p.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 98.64p per kg lw (+1.00). GB—Sheep 264.85p per kg est dcw (+3.33). GB—Pigs 76.95p per kg lw (+2.02).

Month	PIGMEAT Y'days close	+ or —	BEEF Y'days close	+ or —
April	—	—	—	—
May	101.80	—	188.50	+2.50
June	101.80	+0.20	187.00	+1.00
July	101.00	—0.50	188.00	—
Aug	101.60	—0.70	182.00	—
Sep	107.00	—0.10	181.00	+1.00

INDICES

FINANCIAL TIMES

Apr. 15	April 14	M'th ago	Year ago
—*	—*	—*	295.53

(Base: July 1 1952=100)

REUTERS

Apr. 14	April 11	M'th ago	Year ago
1805.2	1822.5	1854.8	1952.7

(Base: September 18 1931=100)

DOW JONES

Dow Jones	April 11	April 10	Month ago	Year ago
Spot	128.56	128.43	—	120.56
Fut.	127.05	126.57	—	124.04

(Base: December 31 1931=100)
* Not available due to suspension of tin LME

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Apr. 15 1986	+ or —	Month ago
METALS			
Aluminium			—
Free Market	$1245/265	—45	$1285/315
Copper			
Cash h Grade	£966	+5	£1003
3 mths	£985.75	+5	£1022.25
Gold Troy oz	$340.75	—0.25	$350.5
Lead Cash	£246.5	—1.75	£250.5
3 mths	£254.25	—0.25	£258.25
Nickel			
Free Mkt.	182/202c	—1	182/212c
Palladium oz	$108.40	+0.85	$113.50
Platinum oz	$426.35	+1.85	$420.00
Quicksilver†	$220/230		$220/235
Silver troy oz	363.25p	—7.55	392.25p
3 months	371.90p	—7.75	405.40p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$64.98		$62.78
Wolfram 22.0lb.	$47/55		$52/60
Zinc	£440.5	+5	£424
3 months	£450.75	+4.5	£436
producers	$650/700		$650/670
OILS			
Coconut (Phil)	$260y		$265
Palm Malayan	$250z		$260
SEEDS			
Copra Phil	$180		$200
Soyabean (U.S.)	$155.5		$222.5
GRAINS			
Barley Fut. Sept.	£99.10	+0.85	£116.35
Maize	£136.75	+6.75	£141.50
Wheat Fut. July	£119.80	—0.35	£117.90
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. July	£1580.5	—7.5	£1530.5
Coffee Ft. July	£2223	—140	£2492.5
Cotton A Ind.*	48.95c	+0.2	53.75c
Gas Oil June	$139.5	—1.75	$162
Rubber (kilo)	57.25p	+0.25	59p
Sugar (raw)	$198y	+5	$174
Wooltops 64s	438p kilo		418p kilo

‡ Unquoted. † Per 76 lb flask. c Cents a pound. v May. y April-May. w June. x May-June. z July. * Cotton outlook.

Pigmeat sales: 8 (2) lots of 50 carcases, 3,250 kg.

Beef sale: 0 (0) lots of 20 sides.

COCOA

Having touched new life-of-contract lows, futures steadied to close near the top of the day's range. Light manufacturer offtake was in evidence while origins remained withdrawn, reports Gill and Duffus.

Sales: 3,500 (1,198) lots of 10 tonnes.

ICCO Indicator prices (US cents per pound). Daily price for April 14: 88.77 (88.05); five-day average for April 15: 88.43 (88.11).

COCOA	Latest Close £ per tonne	+ or —	Business Done
May	1579-1582	—5.0	1592-1556
July	1580-1581	—7.5	1595-1565
Sept.	1401-1402	—12.5	1407-1392
Dec.	1438-1439	—13.0	1441-1425
March	1466-1468	—13.0	1479-1454
May	1481-1487	—14.5	1487-1474
July	1502-1507	—10.5	1508-1498

COFFEE

A report from Brazil of crop improvement in the Sao Paulo state was enough to force stale longs into liquidation. Selling was evident all day and scale-down buying from the trade was not enough to absorb commission house stop-loss selling. Despite the lower levels, physical offtake appeared light and levels closed just above the lows, reports Drexel Burnham Lambert.

Sales: 6,355 (2,344) lots of 5 tonnes.

ICO Indicator prices (US cents per pound) for April 14: Comp daily 1979 190.47 (191.54): 15-day average 193.73 (194.52).

COFFEE	Yesterday's Close	+ or —	Business Done
May	2165-2169	—148.0	2290-2150
July	2222-2224	—140.0	2325-2215
Sept.	2269-2276	—138.5	2364-2264
Nov.	2300-2305	—142.5	2400-2240
Jan	2330-2355	—142.5	2425-2340
Mar.	2350-2385	—137.5	2460-2410
May	2375-2450	—77.5	—

SOYABEAN MEAL

Prices eased on commercial selling but at the lower end good support was found in the form of outright speculative buying and option short-covering, reports Muirpace.

	Latest close £ per tonne	+ or —	Business Done
Apr.	135.5-136.5	+0.15	131.8
June	129.5-129.2	—1.25	130.5-129.2
August	125.5-125.7	—0.80	125.5
October	125.0-126.2	—0.15	126.0
Dec.	127.8-127.8	—0.45	128.0
Feb.	129.8-130.5	—0.30	—
Apr.	150.0-152.5	—0.25	152.0

Sales: 531 (218) lots of 20 tonnes.

GRAINS

Mnth	WHEAT Yesterday close	+ or —	BARLEY Yesterday close	+ or —
May	118.20	—0.35	118.65	—1.65
July	119.80	—0.85	—	—
Sept.	100.60	—0.20	99.10	+0.85
Nov.	103.55	—0.25	102.30	
Jan	106.60	—0.30	105.55	
Mar.	109.70	—0.25	108.25	

Business done—Wheat: May 118.50-8.20, July 120.15-19.80, Sept 100.60, Nov 103.70-3.50, Jan and March untraded. Sales: 410 lots of 100 tonnes. Barley: May 114.00-2.65, Sept 99.10, Nov untraded, Jan. 105.55, March untraded. Sales: 44 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent May 125.25, June 123.00 transhipment east coast. US no 2 soft red winter June 96.75, July 90.25. EC April 143.75. English feed fob April 120.25/121.00, May 121.50/122.00 buyers/sellers, June 122.50 sellers, Sept/Oct. 102.00/103.00 buyer/seller, Oct/Dec 107.50, Jan/Mar 112.50, April/June 117.50 sellers. Maize: US no 3 yellow/French transhipment east coast April 136.75. Barley: English feed fob April 117.00, May 118.50, June 120.00 sellers, July/Aug and Aug 89.00 buyer, Sept 101.00, Oct/Dec 105.50, Jan/Mar 110.50 buyers.

HGCA—Locational ex-farm spot prices. Feed barley: W. Mids 111.10, N. West 113.40. The UK Monetary Coefficient for the week beginning Monday April 21 (based on HGCA calculations using five days' exchange rates) is expected to change to 1.090.

SUGAR

News that Pakistan had purchased 11 cargoes of whites assisted the *market to build on Monday's recovery*, but prices fell back later, reports C. Czarnikow.

No. 6 Contract	Yesterday close	Previous close	Business done
	$ per tonne F.O.B.		
May	180.0-181.0	184.2-184.8	180.0-181.0
Aug.	183.0-184.0	186.0	186.6-184.0
Oct	185.8	188.0	192.6-186.0
Dec.	—	188.2	—
Mar.	185.0	194.8-195.6	199.8-197.2
May	—	194.0-195.6	—
Aug	206.0-207.4	199.0-205.8	—

Sales: 3,626 (3,985) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £240.00 (£236.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for April 14: Daily price 7.99 (7.88): 15-day average 8.44 (8.38).

No. 6 cif contract—May 204.0 asked: Aug 209.0-15.0: Oct 206.0-10.0. Sales: 64 lots of 50 tonnes.

PARIS—(FFr per tonne): May 1,635-1,655, Aug 1,655-1,660, Oct 1,655-1,664, Dec 1,665-1,685, March 1,705-1,720, May 1,730-1,755.

LONDON DAILY PRICE—Raw sugar $198.00 (£134.00), up $5.00 (up £3.00) a tonne for April/May delivery. White sugar $219.50, up $3.00.

The London prices quoted are not closing levels due to the temporary, increased time difference between London and New York.

POTATOES

The market was extremely nervous on opening, with Monday's firmness following through. At the higher levels, long liquidation and news of successful April deliveries, put the market under pressure. A sharp reversal was followed by brief recoveries. Earlies and new crop were firmer on continued bad weather, reports Coley and Harper.

Month	Latest close	Previous close	Business done
	£ per tonne		
May	160.40	163.40	166.30-159.0
Nov	89.60	87.30	91.00-89.00
Feb	97.60	94.80	98.00
Apr	126.00	119.90	128.00-122.0
May	137.30	129.90	—

Sals: 1,792 (1,690) lots of 40 tonnes.

Earlies—July 115.00, +1.00, 117.00-115.00; Aug 85.00, +15.00; Sept 75.00, +2.50. Sales: 44 lots of 10 tonnes.

OIL

May Brent opened stable to firm but fell back over the day in lacklustre trade. Buyers and sellers were reluctant to come together in an atmosphere of general market uncertainty. Nymex WTI opened 8c up for May but dropped 15c by 1 pm EST. The petroleum products market was quiet with traders still awaiting news from Opec and of the US-Libyan hostilities for direction—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—May		
Arab Light	—	—
Arab Heavy	—	—
Dubai	10.80-11.00	+0.18
Brent Blend	12.75-12.90	—0.25
W.T.I. (1pm est)	12.85-12.95	—0.625
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	155-160	—
Gas Oil	155-159	—
Heavy fuel oil	59-62	—
Naphtha	120-125	+0.5

Petroleum Argus estimates

Turnover: 1,259 (2,304) lots of 100 tonnes.

GAS OIL FUTURES

Month	Latest Close $ US per tonne	+ or —	Business Done
May	143.50	—1.25	148.00-43.00
June	132.50	—1.75	138.50-32.00
July	128.25	—1.75	135.00-27.00
Aug	127.75	—0.25	134.00-27.00
Sep.	127.75	—1.75	134.50-27.75
Oct	129.75	—0.25	136.50-28.50
Nov.	130.75	—0.75	—

Turnover: 4,683 (1,259) lots of 100 tonnes.

FREIGHT FUTURES

Dry cargo levels were little changed, but a more stable pattern emerged in the October position. The tanker market rose during the morning but the gains were erased in the afternoon, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	676/680	678/673	676/678
July	659/662	660/652	652/655
Oct.	754/755	758/745	744/747
Jan.	765/770	772/761	745/761
April	820/860	—	840/870
July	710/740	735	735/745
Oct.	855/870	855	830/850
Jan.	810/900	—	822/890
BFI.	683.5	—	689.0

Turnover: 332 (207).

	Close	High/Low	Prev.
Tankers			
April	785/810	825/790	750/800
May	750/810	800/770	765/800
June	750/790	775	750/800
Sept.	935/980	—	930/1000
Dec.	935/1000	—	950/1000
Mar.	935/980	—	922/1000
BTI.	802.5	—	779.5

Turnover: 55 (43).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down after early gains

The dollar retreated from early levels, having started the day sharply higher on news of US military raids in Libya. The US unit initially attracted demand as a safe haven but as the effects of the air raids on Libya subsided so the dollar retreated.

The current uncertainty caused by the conflict with Libya appeared to be the only factor underpinning the dollar. Elsewhere economic fundamentals painted a far from rosy picture. US industrial production figures showed a 0.5 per cent fall in March, slightly more than expected. In addition there was continued speculation over the possibility of an early reduction in the US discount rate and uncertainty following recent comments pushing for a higher yen.

The dollar closed at DM 2.3110 after a high of DM 2.3455 and compared with Monday's close of DM 2.3090. Against the yen it eased to Y178.30 from Y178.95 but finished higher against the Swiss and French francs at SFr 1.9335 and FFr 7.3625 from SFr 1.9305 and FFr 7.3525 respectively. On Bank of England figures, the dollar's exchange rate index fell to 119.2 from 119.3.

STERLING — Trading range against the dollar in 1986 is 1.5115 to 1.3770. March average 1.4681. Exchange rate index 76.2 down from an opening level of 76.7 and Monday's close of 76.4. The six months ago figure was 80.3.

Sterling traded higher in line with the dollar during the morning and consequently showed useful gains against its major European trading partners. However it followed the dollar down during the afternoon but showed a firmer touch towards the close to finish unchanged at DM 3.42 and at Y263.75 compared with Y263. It was higher against the Swiss franc at SFr 2.8525 from SFr 10.8925 and FFr 10.8950 from FFr 10.8825. The pound's performance was all the more surprising in view of the uncertainty surrounding the price of oil and any possible change in attitude by Opec.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1990. March average 2.2677. Exchange rate index 133.5 against 127.5 six months ago.

The D-mark recovered from early levels against the dollar to finish slightly up on the day. The dollar had started sharply firmer as speculators moved into the dollar, treating it as a safe haven. However much of the early fervour evaporated during the day as economic fundamentals including a 0.5 per cent fall in US industrial production came to the fore. The dollar touched a high of DM 2.3450 at one point but came back to finish at DM 2.3130 down from DM 2.3140 on Monday.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 178.06. March average 178.65. Exchange rate index 193.1 against 169.9 six months ago.

The yen was a little weaker against the dollar in Tokyo yesterday as the US unit attracted demand. This followed further US air strikes against Libya. However the dollar finished below its best level because there were several other factors that pointed towards a lower dollar. These included expectations of poor GNP figures and continued speculation about a cut in the discount rate. The dollar closed at Y179.30 up from Y178.30 but gained most against the D-mark to finish at DM 2.3425 from DM 2.3080 in New York.

£ IN NEW YORK

Close	April 15	Prev. close
£ Spot	$1.4785-1.4795	$1.4765-1.4775
1 month	0.51-0.49pm	0.47-0.44pm
3 months	1.28-1.25pm	1.30-1.27pm
12 months	3.85-3.80pm	3.85-3.80pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

DOLLAR SPOT—FORWARD AGAINST DOLLAR

EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10: Lira per 1,000; Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

April 15	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
B.Fr.(Fin)	9⅛-9⅝	9½-9¾	8⅝-8⅞	8¼-8½	7¾-8	7⅝-7⅞
B.Fr.(Con)	9-9⅛	9-10	8⅝-8⅞	7¾-8¼	7½-8	7¼-7¾
Yen	5⅛-5⅜	5⅛-5⅞	5-5⅛	4⅞-4⅞	4⅞-4⅞	4⅞-4¾
D. Krone	8⅞-9⅜	8¾-9¼	8-8½	7¾-8¼	7½-8	7½-8
Asian $ (Sng)	7⅛-7⅛	7-7⅛	6⅞-7	6⅛-6⅛	6⅛-6⅛	6⅝-6⅞

Long-term Eurodollars: two years 7-7¼ per cent; three years 7¼-7½ per cent; four years 7½-7¾ per cent; five years 7¾-8 per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

US bonds firmer

US Treasury bond futures finished firmer on the London International Financial Futures Exchange yesterday. June bonds opened unchanged at 103-02, and the contract touched a low of 103-01 on nervousness, following the US bombing raid against Libya. But dealers took the view that this was likely to have a limited impact, as far as the market was concerned, and took advantage of the opportunity to buy at depressed prices. The contract climbed up until the Chicago opening, but then met with US selling and fell from a peak of 103-26 to close at 103-12, compared with 103-02 on Monday.

The fall of 0.5 per cent in March US industrial production was more than many market estimates, but not outside the general level of forecasts, and had little impact.

June long term gilts opened weaker at 128-06, but this was the high of the day, and the contract was sold down to a low of 126-28, before closing at 127-05, against 128-14 previously. The market weakened with the fall in US bonds, but dealers said there was no heavy selling, more a mood of nervousness, and lack of retail interest, after the US raid on Libya.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

CURRENCY MOVEMENTS

April 15	Bank of England Index	Morgan* Guaranty Change %
Sterling	76.2	−14.8
U.S. dollar	119.2	+9.7
Canadian dollar	79.2	−12.5
Austrian schilling	124.6	+7.0
Belgian franc	95.0	−7.2
Danish Krone	86.0	−1.8
Deutsche mark	133.5	+13.8
Swiss franc	156.0	+14.6
Guilder	123.4	+8.6
French franc	68.4	−13.9
Lira	45.9	−18.3
Yen	195.1	+42.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

*Morgan Guaranty rates are for April 14

CURRENCY RATES

April 15	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.769093	0.627379
US $	7	1.13672	0.927680
Canadian $	9.35	1.59152	1.29629
Austria Sch.	4	18.4603	15.1427
Belgian Fr.	8¾	53.4997	43.6397
Danish Kr.	7	9.69906	7.94286
D'mark	3½	2.62960	2.15801
Guilder	4½	2.96684	2.43100
French Fr.	9½	8.39013	6.87058
Lira	14	1802.98	1478.56
Yen	4	202.460	165.619
Norway Kr.	8	8.25259	6.74582
Span'h Pta.	—	166.302	136.419
Swedish Kr.	10½	8.32932	6.81400
Swiss Fr.	4	2.19694	1.80155
Greek Drch.	20½	N/A	134.718
Irish Punt	—	N/A	0.706888

*SDR rates are for April 14.

OTHER CURRENCIES

April 15	£	$
Arg'tina	1.2279-1.2303	0.8300-0.8510
Aus'alia	2.0585-2.0735	1.3980-1.3995
Brazil	20.37-20.50	13.77-13.84
Finland	7.6826-7.7015	5.2030-5.2050
Greece	212.90-217.35	144.00-147.00
H'kong	11.6152-11.6350	7.7975-7.7995
Iran	119.70*	81.15*
Kuwait	0.4295-0.4305	0.29020-0.29050
Lux'burg	69.50-69.60	46.95-47.05
[illegible]	[illegible]	[illegible]-2.5825
[illegible]	[illegible]	[illegible]-1.8070
[illegible]	[illegible]	[illegible]-3.6505
[illegible]	[illegible]	[illegible]-2.1945
[illegible]	[illegible]	[illegible]-2.0285
[illegible]	[illegible]	[illegible]-3.0075
[illegible]	[illegible]	[illegible]-3.6755

*Selling rate.

CHICAGO

LONDON

CURRENCY FUTURES

THREE-MONTH EURODOLLAR (IMM)

$1m points of 100%

	Latest	High	Low	Prev
June	93.44	93.48	93.41	93.45
Sept	93.54	93.58	93.51	93.54
Dec	93.43	93.48	93.40	93.42
March	93.24	93.29	93.22	93.24
June	93.04	93.10	93.04	93.05
Sept	92.86	92.92	92.86	92.87
Dec	92.69	92.76	92.69	92.71
March	92.51	92.60	92.51	92.55

STERLING INDEX

	April 15	Previous
8.30 am	76.7	76.2
9.00 am	76.6	76.1
10.00 am	76.6	76.2
11.00 am	76.5	76.2
Noon	76.6	76.3
1.00 pm	76.5	76.3
2.00 pm	76.4	76.4
3.00 pm	76.4	76.3
4.00 pm	76.2	76.4

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	[illegible]	43.6367	+0.37	+0.37	±1.5388
Danish krone	7.91896	7.94286	+0.30	+0.30	±1.6408
German D-mark	2.13834	2.15801	+0.92	+0.92	±1.1202
French franc	6.96280	6.87058	−1.32	−1.32	±1.3701
Dutch guilder	2.40835	2.43100	+0.90	+0.90	±1.5081
Irish punt	0.712956	[illegible]	−0.57	−0.57	±1.6689
Italian lira	1496.21	1478.56	−1.18	−1.18	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

London rates steady

Interest rates were little changed on the London money market yesterday. Three-month interbank touched a high of 10⅞-10⅝ per cent on nervousness, following the US attack against Libya, as the dollar advanced on the foreign exchanges. But three-month money closed at 10⅛-10⅛ per cent, from 10⅛, as dealers took a less alarming view of the situation. Remarks by Mr Robin Leigh-Pemberton, Governor of the Bank of England, suggesting that further cuts in UK interest rates are possible, in spite of rising money supply growth, helped keep the market steady.

Dealers are waiting for any further guidance on monetary policy from a speech tonight, by Mr Nigel Lawson, Chancellor of the Exchequer, at a private dinner in the City, but the general view remained optimistic. Market sources pointed out that the lower rate of 10⅝ per cent paid by discount houses on yesterday's bill repurchase agreement, indicated expectation of a 1 per cent cut in bank base rates within the next few weeks.

The Bank of England forecast a money market shortage of £1,350m, and provided total help on the day of £1,326m.

An early round of assistance was offered, and at that time the authorities bought £32m bills outright, by way of £31m bank bills in band 1 at 10⅜ per cent, and £1m bank bills in band 2 at 10⅜ per cent.

Before lunch another £1,294m bills were purchased by the Bank of England, including £284m outright, through £81m bank bills in band 1 at 10⅜ per cent; and £203m bank bills in band 2 at 10⅜ per cent. A further £1,010m bills were bought for resale to the market in equal amounts on May 6 and May 8 at rates of 10⅜-11⅛ per cent.

There was no intervention by the authorities in the afternoon.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £177m, with Exchequer transactions absorbing £1,050m—in spite of block grant paid to local authorities of £172m—and bank balances below target by £185m. These factors outweighed a fall in the note circulation adding £75m to liquidity.

UK clearing banks base lending rate 11 per cent since April 8

NEW YORK RATES

(Lunchtime)

Prime rate	9
Broker loan rate	8
Fed funds	7
Fed funds at intervention	—

Treasury Bills & Bonds

One month	5.78
Two month	5.86
Three month	5.97
Six month	6.16
One year	6.25
Two year	6.50
Three year	6.67
Four year	6.77
Five year	6.92
Seven year	7.07
10 year	7.23
30 year	7.35

MONEY RATES

April 15	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.95-5.10	4.35-4.50	4.35-4.50	4.35-4.50	4.35-4.50	5.5
Paris	8⅛	7½-7⅝	7¼-7⅝	7½-7⅝	7¼-7⅝	7¾
Zurich	[illegible]	[illegible]	—	4 4⅛	—	—
Amsterdam	[illegible]	[illegible]	[illegible]	5 5⅛	—	—
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	—	—
Milan	[illegible]	[illegible]	[illegible]	[illegible]	—	—
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	—	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

FT LONDON INTERBANK FIXING

(11.00 a.m. April 15)

Three months US dollars		Six months US dollars	
bid 6⅛	offer 6⅛	bid 6⅛	offer 6⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Legal Notices

IN THE MATTER OF YARDPLAN LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 21st day of May, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Keith David Goodman, FCA, of 30 Eastbourne Terrace, London W2 6LF, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 9th day of April, 1986.
K. D. GOODMAN,
Liquidator.

IN THE MATTER OF BENTLY NEVADA CYPRUS LIMITED AND IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company, which is being voluntarily wound up are required on or before the 18 day of May 1986 to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Hajiroussos FCCA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are, personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 16 day of April 1986.
A. Hajiroussos, FCCA.
Liquidator.

Registered in England No: 1888991
IN THE MATTER OF THE COMPANIES ACT 1985 AND IN THE MATTER OF WINDOW CONTROL LIMITED

Registered Office: 4, Charterhouse Square, London EC1M 6EN
Business Address: Unit 3, Gordon Road Industrial Estate, Gordon Road, Southall, Middx

NOTICE IS HEREBY GIVEN pursuant to Section 588(2)(a) of the Companies Act 1985 that a Meeting of the Creditors of the above-named Company will be held at 4 Charterhouse Square, London EC1M 6EN, on Friday 2nd May 1986 at 12.00 noon for the purpose mentioned in Section 588(3) et seq of the said Act.

Dated this 2nd day of April 1986.
By Order of the Board,
B. FREEMAN,
Director.

CLASSIFIED ADVERTISEMENT RATES

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Business for Sale/Wanted	11.50	39.00
Personal	9.00	30.00
Motor Cars	9.00	30.00
Holidays & Travel	9.00	30.00
Contracts & Tenders	11.50	39.00
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[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
30	30	Anglo-Dominion	30	...	01.05	◆	5.0
42	26	Anglo Utd Dev	30	...	—	—	—
80	50	♥Colby Res Corp	55	...	—	—	—
300	200	Cons. Murch. 10c.	225		Q80c	3.9	‡
34	28	♥Emex Int. Ir10p	32		—	—	—
101	70	Greenwich Res	90	+2	—	—	—
143	93	Hampton Areas 10p	93	−5	3.75	0.9	5.4
245	165	♥Highwood Res	227	+5	—	—	—
£19¼	£15¼	Homestake Mining $1	£15⅞	−¼	Q20c	—	0.9
310	185	♥McFinley Red Lake	190	+5	—	—	—
285	210	♥Muscio Explorations	222	−15	—	—	—
51	40	♥New Sabina Res C$1	45		—	—	—
260	210	Northgate C$1	222	+5	22.0	◆	4.5
790	513	RTZ	705	−5	—	—	—
£164	£115	Do 9½pcLn '95-2000	£147½	−½	Q9½%	14.0	6.6
950	800	♥Tara Exptn $1	912		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Dealt in under Rule 535(3).
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast
- ◆ Merger bid or reorganisation in progress.
- ‡ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend, cover on earnings updated by latest interim statement
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value

B Fr. Belgian Francs. Fr. French Francs. ◆◆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	118		Fin. 13% 97/02.	£125¼	+¼
Craig & Rose £1	£13	...	Arnotts	380	−5
Finlay Pkg. 5p	49	...	CPI Hldgs.	62	
Holt (Jos) 25p	780	+10	Carroll Inds.	212	+2
IoM Stm. £1	85	...	Dublin Gas	53	...
			Hall (R. & H.)	66xd	...
IRISH			Heiton Hldgs.	30	+2
Fund 11¼% 1988	£103⅝xd		Irish Ropes	70	
Nat. 9¾% 84/89	£101¼		Unidare	190	

"Recent Issues" and "Rights" Page 42
(International Edition Page 40)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 1	Apr 10	Apr 11	Apr 21
Apr 14	Apr 24	Apr 25	May 6
Apr 28	May 8	May 9	May 19

* "New-time" dealings may take place from 9.30 am two business days earlier.

Markets react nervously to US strike against Libya

The US strike at Libya had serious repercussions on London stock markets yesterday. A nervous atmosphere developed and leading shares dropped sharply, forcing the two main FT indices to show their largest one-day falls in points terms ever. Both edged away from the worst levels of the day but the FT Ordinary share index still closed 28.5 down at 1370.8 after 1368.9. Its sister index, the FT-SE 100 share, reacted to 1651.7 before ending 28.3 lower at 1654.8.

Equity dealers were on the defensive from the moment dealings opened. They savagely marked lower the prices of top-quality issues in order to deter potential sellers. As a result, many prospective sellers decided to withdraw their orders. A recovery from the low early levels was soon underway but the tone remained extremely sensitive with many brokers advising clients to hold off until the effect of the US action was seen in New York markets.

Around mid-day rumours spread of a second US strike on Libyan bases. Persistent nervous selling accompanied the reports, which were said to be unfounded, and the market went lower again.

The mood of despondency continued until Wall Street surprised the pessimists. The Dow Jones index gave ground initially but then moved higher as pressures for a cut in the Federal Reserve Discount rate took precedence following the announcement of disappointing US economic data. In London, however, buyers were unresponsive and leading stocks struggled to maintain only a small rally.

The late fall in US bonds on Monday upset longer-dated Government securities. Sterling's encouraging trend against the dollar was ignored and prices moved progressively lower on sustained selling. Selected longs suffered falls ranging to a point and sometimes more before steadying. After the official close, however, the tone weakened again and many Gilts reverted to the day's lowest.

Index-linked were the only issues to resist the trend. Press comment highlighting the sector's appeal to some fund managers prompted demand which exhausted the authorities' supply of the £100m tranche of Treasury 2½ per cent 2016, made available to the market only from Monday, at 96¼. Other maturities established rises stretching to ½.

Lloyds' bid

After-hours' details of Lloyds' firm 750p per share bid for Standard Chartered prompted a late reaction in the latter which closed 27 easier on the session at 846p; Lloyds finished 7 off at 581p, after 578p. Other clearers mirrored the overall dull trend. Midland fell 14 to 558p and Barclays relinquished 11 to 517p.

Composites succumbed to the general trend. Royals led the retreat with a fall of 18 at 897p and Sun Alliance declined 15 at 723p. GRE dropped 13 to 940p and falls of 7 and 8 respectively were seen in General Accident 940p, and Commercial Union, 321p.

Distillers closed 26 lower at 695p, after 693p, amid lively trading. Argyll, which has extended its offer until Friday, dipped to 348p before rallying to close 10 lower on balance at 355p. Guinness, which now speaks for almost 32 per cent of Distillers, finished 11 off at 342p.

Dealers reported a much improved business among leading Breweries. Most failed to recover from the initial sizeable markdowns, however, with Bass 25 lower at 795p, and Scottish and Newcastle 11 cheaper at 217p. Allied-Lyons provided an exception and rallied from 282p to close a net 5 to the good at 297p.

Leading Buildings suffered a defensive mark-down at the outset before recovering slightly, but Taylor Woodrow bucked the trend and touched 612p in reply to the better-than-expected annual results and proposed 100 per cent scrip issue before closing 12 higher on balance at 585p. Tarmac, a dull market of late, dipped to 442p initially, but staged a good rally in the wake of the Taylor Woodrow figures to close only 4 cheaper on the day at 454p. Costain lost 12 at 528p and George Wimpey shed 4 to 153p, while SGB encountered fresh selling in the absence of any bid developments to close 12 lower at 334p. Among Cements, Blue Circle were finally 8 off at 665p, after 661p, and RMC 6 easier at 624p, after 620p; the latter's annual results are due today. Timber group Magnet and Southerns, a current takeover favourite, dipped to 180p at the outset, but picked up on renewed speculative buying to close just 2 cheaper on balance at 188p. William Sindall gained 20 to 575p following the annual figures.

Stores react

The failure of the Shops Bill and worries about tourist spending due to events in North Afr[illegible] combined to depress lead[illegible]g Retailers. Quotations were marked sharply lower at the outset, and although selling was relatively small, most issues showed little inclination to rally from the day's lowest levels. Gussies A fell 35 to 990p, while Harris Queensway gave up 18 more to 268p. Woolworth closed 30 cheaper at 850p, and unwelcome suitors Dixons eased 10 to 366p. Elsewhere, Etam dipped 8 to 256p in front of today's preliminary figures, while Coats Vantona fell 24 to 536p, the statement at the annual meeting failing to provide an [illegible]ppreciable boost to sentiment. Helene of London closed 3[illegible] lower at 29½ following the [illegible]nual results, while acqui[illegible]n news left Hollas a cou[illegible] of pence easier at 36p. In contrast, revived demand lifted Cantors A 6 afresh to 161p, while Martin Ford, down to 106p earlier, rallied to 118p, a net gain of 8 reflecting increasing hopes of bid developments in the near future.

STC rallied strongly from an initial dull level of 154p to close 4 higher on balance at 162p as rumours of a bid from West German electronics group, Siemens AG, resurfaced. Other Electrical majors fell sharply in sympathy with the overall depressed tone. British Telecom, still affected by Mercury Communications competition worries, cheapened 6 more to 246p, after 244p. Racal fell 12 to 190p and Thorn EMI relinquished 10 to 494p, while falls of around 6 were seen in BICC, 363p, GEC, 190p, and Plessey, 220p. Cable and Wireless gave up 10 at 690p, after 685p. Elsewhere, Amstrad succumbed to profit-taking and lost 22 of Monday's press-inspired gain of 38 at 524p. Apricot Computer, still reflecting Amstrad competition worries, dropped 7 more to 85p. Brikat fell 10 at 160p following the interim results, while Telephone Rentals eased a few pence to 210p, after 205p, on the satisfactory preliminary figures.

Engineers turned easier after the recent bout of speculative activity. Simon, however, which announced preliminary figures last Thursday, met with support and put on 16 to 256p. Recent takeover favourites to give ground included Stothert and Pitt, 7 cheaper at 193p, and Weir Group, 6 lower at 148p. Mckechnie closed 8 cheaper at 270p following rejection of the bid from Evered. F. H. Tomkins eased 7 to 303p with Pegler Hattersley down 15 to 570p in sympathy. Among the leaders, GKN gave up 10 to 355p and Vickers a similar amount to 505p. Hawker closed 6 cheaper at 543p awaiting today's preliminary statement.

Leading Foods staged a half-hearted rally around mid-morning before drifting back to close at the day's lowest. Tate and Lyle ended 8 off at 625p and Rowntree Mackintosh 13 down at 482p. United Biscuits dipped to 259p prior to closing 4 cheaper on balance at 261p. Elsewhere, Somportex attracted fresh demand and gained 17 to 210p.

Losses among leading Hotels extended into double figures. Grand Metropolitan fell 17 to 403p and Ladbroke lost the same amount at 341p. Trusthouse Forte dipped 12 to 177p. Elsewhere, London Park Hotels rose 13 to 505p following the excellent annual results.

Glaxo improve

Glaxo provided one of the few bright spots among the miscellaneous industrial leaders, rising ¼ to £10¼ in response to the impressive half year results. Beecham also resisted the trend, recovering from an initial depressed level of 390p, to settle 5 up on the day at 401p. Hanson Trust, in contrast, remained a depressed market at 167p, down 10, while BTR were also noteworthy for a fall of 12 at 458p. Boots eased 6 further to 252p.

Trafalgar House closed 7 lower at 310p, after 306p; it was announced yesterday that Trafalgar Brookmount has submitted outline planning application aimed at providing a comprehensive redevelopment of the Brooklands site in Weybridge, Surrey. Elsewhere, Elbar rose 11 to 75p following news that Tanks Investments (UK) is making an offer of 70p per share for the outstanding minority. Berisfords advanced 28 to 140p, after 148p, on the bid from Allied Textiles; the latter fell 20 to 285p, but Rexmore, which owns a 26.1 per cent stake in Berisfords, gained 6 to 32p.

Barr and Wallace Arnold Trust A, up 23 on Monday following news that Mr W.S. Yeates had increased his stake in the company, ran back 17 to 118p on profit-taking. Elsewhere in the Leisure sector, Samuelson firmed 5 to 330p following US acquisition news, but Owners Abroad shed a penny to 32½p despite the good annual results.

Cautious Press comment in the wake of the proposed £406m rights issue left Saatchi and Saatchi 40 lower at 815p—a two-day decline of 130p. Good Relations, firm on Monday reflecting revived merger speculation, dipped 13 to 140p as the company stated that it was not engaged in talks with a third party; it was announced late last week that merger discussions with Valin Pollen had been terminated.

Properties incurred widespread losses. Land Securities settled 9 lower at 306p, as did MEPC, at 343p. Samuel lost a like amount at 209p following confirmation that the group had acquired a portfolio of properties from Lonrho for some £53m. Stock Conversion fell 10 to 660p pending any possible bid developments, while major shareholder Stockley closed 2 cheaper at 82p, after 80p. Speculative counter Abaco shed 3 to 50p, after 49p, but Merivale Moore gained 13 to 165p in a restricted market. Gable House rose 8 to 175p following the good interim results. Estate agents continued to attract buyers, Mann & Co rising 20 further to 355p and Hanover Investments 10 to 210p.

Courtaulds, 15 down at 279p, typified the overall weak trend.

Imperial Group fell 19 more making a two-day decline of 37 at 326p.

One of the session's rare bright spots was provided by Mercantile House which touched a 1986 peak of 365p before settling 27 dearer on balance at 362p amid fresh takeover speculation; Quadrex were again mentioned as possible suitors.

The American bombing of Libya coupled with the start up of the OPEC meeting in Geneva and the continuing strike in the Norwegian oilfields in the North Sea ensured a brisk trading session in the oils sector. Leading oils opened lower and thereafter moved narrowly before picking up towards the close of trading helped by the early improvement on Wall Street.

Secondary issues showed Jackson Exploration 5 down at 11p following the loss for the year.

Among otherwise subdued Overseas Traders, Lonrho reacted to widespread profit-taking in the continuing absence of bid developments and dipped to 266p before settling a net 9 cheaper at 269p.

Expectations that the US attack on Libya would lead to a strong performance by bullion and gold shaares proved totally unfounded. Bullion was said to have touched $345 in early trading but fell back quickly to around $340 before picking up later in the session to close a net 25 cents easier at $340.75 an ounce.

Gold shares edged higher initially reflecting US and Continental support but subsequently turned easier on a marked lack of follow-through support. Renewed profit-taking then depressed all the leading issues and the sector as a whole ended with minor falls across the board. The Gold Mines index was left with a 2.6 decline at 287.4.

South African Financials were mixed. Gencor dropped 50 to 875p and OFSIL ¼ to £18¼ but "Johnnies" continued to make progress and put on £2 more to £81, while "Amgold" added a like amount to £51. UK issues mirrored the sharp falls among domestic equities, with RTZ 5 off at 705p and Goldfields a few pence cheaper at 475p. Hampton Areas retreated 5 to 93p. Gold & Base, on the other hand, rose 2 to a 1986 high of 33p ahead of the preliminary results expected today.

Australian markets overnight were highlighted by good gains in Gold following the US/Libya conflict, but London business brought immediate profit-taking in Gold Mines of Kalgoorlie which ended the session a net 7 off at 380p. Central Norseman fared better and closed 20 up at 418p while Poseidon showed a minor improvement at 128p. Sons of Gwalia rose 5 to 192p, while the more speculative issues provided firm spots in Jason Mining, 2 up at 24p and Paragon Resources, a penny dearer at a 1986 high of 15p.

Elsewhere in Australians, Elders IXL rallied strongly and ended the day 13 up at 210p, while BHP hardened a couple of pence to 344p. Bell Resources, still depressed by the rights issue news, dipped 5 more to 215p.

Traded Options

The shake-out in the underlying securities merely induced operators to take fresh positions in Traded Options. Total contracts struck amounted to 27,346 comprising 21,312 calls and 6,034 puts.

FINANCIAL TIMES STOCK INDICES

	Apr. 15	Apr. 14	Apr. 11	April 10	April 9	Apr. 8	year ago
Government Secs	93.02	93.45	93.58	93.20	93.30	93.09	81.83
Fixed Interest	96.47	97.12	97.10	96.87	97.04	96.66	85.80
Ordinary ♥	1370.8	1399.3	1411.9	1401.5	1376.5	1388.1	979.5
Gold Mines	287.4	290.0	282.1	281.8	282.7	288.0	535.5
Ord. Div. Yield	3.89	3.83	3.81	3.83	3.89	3.87	4.65
Earnings, Yld. % (full)	9.54	9.41	9.36	9.35	9.50	9.45	11.73
P/E Ratio (net)	12.95	13.14	13.21	13.26	13.04	13.14	10.38
Total bargains (Est.)	34,150	35,613	39,007	38,547	36,111	42,917	26,064
Equity turnover £m.	—	1015.28	926.66	829.84	693.61	909.02	439.31
Equity bargains	—	21,374	37,954	34,085	32,510	38,030	25,431
Shares traded (m)	—	382.5	400.8	340.2	280.1	354.0	243.4

♥ 10 am 1374.6. 11 am 1379.0. Noon 1374.8. 1 pm 1371.5. 2 pm 1370.0. 3 pm 1369.5. 4 pm 1369.2. Day's High 1380.0. Day's Low 1368.9. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. *Nil=12.54.

HIGHS AND LOWS

	1986 High	1986 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	93.58 (11/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	97.12 (14/4)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	357.0 (27/1)	257.5 (2/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

INDICES	Apr. 14	Apr. 11
Daily Gilt Edged Bargains	99.4	158.3
Equities Bargains	138.5	245.9
Value	2052.0	1,873.0
5 day Average Gilt Edged Bargains	166.5	180.1
Equities Bargains	212.5	244.4
Value	1768.3	1,717.3

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
‡160	F.P.	18/4	194	180	✠BPP Hldgs. 10p	185	...	R5.0	2.2	3.8	16.[illegible]
‡‡	F.P.	25/4	140	123	Chillington Corp	140	...				
‡‡	—	—	61	55	Do. Defd.	61	...				
165	F.P.	18/4	95	180	Gold Greenlees T. 5p	190	...	R2.9	3.2	2.1	29.7
‡105	F.P.	18/4	85	125	[illegible]	140	−3	R3.3	2.6	3.3	16.2
180	F.P.	23/5	187	176	✠Lee Intl. 10p	176	−2	R3.0	2.9	3.0	10.1
‡120	F.P.	24/4	114	134	[illegible] Swain 5p	142	−2	R2.5	3.6	2.5	16.0
‡‡	F.P.	—	790	785	Mercury Int'l	785	...				
‡‡	F.P.	—	108	95	NMC Invs. Wrts.	102	+4				
‡145	F.P.	4/4	177	155	PPL 10p	158	+10	R2.6	6.0	2.8	10.4
‖ ‖	F.P.	—	900	700	Rodime 5p	720	−10				6.4
215	F.P.	18	234	210	Templeton Galbraith	210	−8	u2.8	2.2	2.0	19.7

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price £	+ or −
‡99.999	£25	11/7	25¼	24½	ASDA Prop. 10⅞% 1st Mt. Deb. 2011	25¼	−⅛
‡100	F.P.	—	110½	109½	Aberdeen (City of) 10.6% Red. 2011	110¼	−⅛
88.255	£10	25/4	37	30½	American Medical Intl. 9¾% Uns. Ln. 2011	36½	−½
95.537	F.P.	18/4	106⅛	104½	Brit. Land 10¼% 1st. Mort. Deb. 2024	105⅛	−⅛
‡100	£10	27	[illegible]	10¼	Colne Valley Water 10¼% Red Deb 86.96	[illegible]	
‖	Nil	29/5	32ppm	13ppm	FNFC 6.5% Cnv. Cum. Red. Prf.	17ppm	−1
‖	F.P.	9/5	107p	102p	Glass Glover 6% Cum. Cnv. Red Prf 2000	102p	
‡‡	F.P.	—	370p	370p	Hawley Grp. Cnv. Cum. Red. Prf	370p	
94.917	£30	25/4	39	19⅞	Inter-Am Dev Bk 9⅞% Uns Ln 2015	38½	−½
‡99.951	£40	14/7	40¼	40¼	Lon. Prov. Shop 10% 1st. Mtg. Deb. 2026	40¼	.....
‡‡	F.P.	—	140	137	Mercury Intl. 6% A Conv. Pref.	139	
‡‡	F.P.	—	138p	119p	Morceau 8½% Conv. Uns. Ln 2000	135p	−5
‡‡	F.P.	—	100½	100	Nationwide Bldg. Soc. 10½% 6/4/87	100½	
‡99.623	£40	30/6	40¼	38½	Peel Hldgs. 9⅞% 1st. Mort. Deb. 2011	39⅝	−½
‡99.868	£40	1/8	42¼	41⅜	Queens Moat 10¼% 1st. Mort. Deb. 2020	41⅞	−¼
‡97.956	£25	25/4	40¾	25½	Samuel Props. 11% 1st. Mort. Deb. 2016	39¾	−½
—	F.P.	16/5	119	118¼	Security Trust Scotland 12% Deb. 2013	119	...
‡99.480	£25	18/7	30⅛	24¾	S.E. 10⅛% Mort. Deb. 2016	29¾	−⅝
‖	Nil	23/5	29ppm	10ppm	Ward White Cnv. Prf.	10ppm	−1

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price	+ or −
140	F.P.	—	425	390	✠Allida Hlgs.	420	.. ..
60	Nil	30/5	17pm	16pm	Aquascutum A 5p	16pm	..
250	Nil	30/5	70pm	45pm	Assoc. Newspapers	45pm	−5
30	Nil	30/5	12pm	11pm	Bensons Crisps 10p	12pm	+1
140	F.P.	12/5	175	156	Crest Nicholson 10p	163	
370	Nil	13/6	88pm	66pm	Grattan	66pm	−12
207	Nil	23/5	52pm	28pm	Greycoat (10p)	28pm	−8
150	F.P.	9/5	218	208	Heywood Williams	208	−2
Ir.82	F.P.	6/5	121	106	Jacobs (W.R.)	120	
730	Nil	23/5	77pm	67pm	Lon. & Manchester Grp	67pm	−9
83	Nil	2/5	17pm	11pm	Martin (A.) 20p	11pm	−1
63	Nil	23/5	10pm	6pm	Pentos	6½pm	+½
265	Nil	—	35pm	35pm	Share Drug 10p	35pm	...
100	F.P.	29/4	220	148	Thomson T-Line	207	−13
175	Nil	30/5	40pm	27pm	Turner & Newall £1	27pm	−8
70	F.P.	—	145	118	WSL 5p	132	..
425	F.P.	2/5	581	561	Wolseley-Hughes	565	−2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. r Indicated dividends: cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ■ Allotment price. ✠ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (102)

BRITISH FUNDS (12), LOANS (1), AMERICANS (4), BANKS (1), BUILDINGS (2), CHEMICALS (2), STORES (2), ELECTRICALS (6), ENGINEERING (2), FOODS (5), HOTELS (1), INDUSTRIALS (14), INSURANCE (2), LEISURE (1), MOTORS (3), NEWSPAPERS (2), PAPER (3), PROPERTY (13), TEXTILES (1), TRUSTS (16), OILS (2), PLANTATIONS (2), MINES (5).

NEW LOWS (35)

AMERICANS (2) Microcomputer Memories, Tenneco 10pc Ln. '91-95. BUILDINGS (1) Ramus. STORES (1) Liberty N/V. ELECTRICALS (2) Brikat, Sigmex Intl. FOODS (1) Normans Group. HOTELS (1) Mount Charlotte. INDUSTRIALS (11) Anglo-Nordic, Assoc. Heat Services, Black (P.), Intereurope Tech., Moss (Robert), Pavion Intl, Rolfe and Nolan, Ryan Intl., Security Services, Sidlaw, Tech. Computer Inds. LEISURE (2) GRA Saga Holidays. PROPERTY (3) Allied London, Jermyn Inv., Regentcrest. TEXTILES (2) SEET, Shaw Carpets. TRUSTS (4) Altifund Inc, Independent Inv., London Trust, Aitken Hume. OILS (2) Caledonian Offshore, TR Energy. MINES (3) HMC Australasia, Malaysia Mining, Hampton Areas.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Apr 7	Apr 18	July 10	July 21
Apr 21	May 2	July 24	Aug 4
May 6	May 16	Aug 7	Aug 18

For rate indications see end of Unit Trust Service

Call options were taken out in Bryant, Oceonics, Sime Darby, Pavion, Barrie Investment and Finance, Chloride, Marler Estates, STC, William Morris, Land Securities, Samuel Properties, Galliford, Mnemos, Ramar Textiles, CPS Computer, William Boulton, Optometrics, Amstrad, Tricentrol, Magnet and Southerns, Fairline Boats, Cannon Street Investments, Wellcome, Premier Oil, John Brown, I. J. Dewhirst and Abaco Investments. Puts were arranged in Argyll Group and Tricentrol, but no doubles were reported.

YESTERDAY'S RISES AND FALLS

	Rises	Falls	Same
British Funds	14	87	11
Corpns. Dom. and Foreign Bonds	1	24	48
Industrials	162	641	868
Fin. and Props.	58	275	234
Oils	16	22	81
Plantations	5	0	10
Mines	42	42	97
Others	67	59	72
Totals	371	1,151	1,241

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday April 15 1986

Figures in parentheses show number of stocks per section

		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon April 14 Index No.	Fri April 11 Index No.	Thurs April 10 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (213)	718.08	−1.8	8.09	3.32	15.57	4.79	731.46	732.94	727.71	551.26
2	Building Materials (25)	798.49	−1.5	8.12	3.40	15.45	2.43	810.53	815.36	819.16	495.42
3	Contracting, Construction (28)	1151.80	−0.8	7.92	3.88	16.34	7.49	1160.40	1149.28	1147.37	718.41
4	Electricals (12)	2061.86	−1.4	6.82	3.69	19.45	2.59	2090.53	2052.88	2028.45	1564.96
5	Electronics (38)	1653.44	−2.4	8.92	2.75	14.72	8.60	1694.73	1706.16	1679.27	1707.23
6	Mechanical Engineering (64)	407.27	−1.5	8.82	3.75	14.34	3.89	413.41	414.06	412.49	309.71
8	Metals and Metal Forming (7)	343.00	−2.2	6.77	5.08	19.65	2.22	350.65	358.22	353.52	191.93
9	Motors (17)	291.15	−2.0	6.72	3.29	13.39	3.06	296.99	299.13	294.08	186.17
10	Other Industrial Materials (22)	1294.00	−2.1	6.41	3.06	18.66	11.38	1321.51	1326.72	1316.98	935.75
21	CONSUMER GROUP (186)	937.12	−1.7	7.28	3.03	17.57	4.83	953.51	959.42	951.69	646.68
22	Brewers and Distillers (23)	937.02	−2.6	8.43	3.26	15.12	4.15	962.23	965.78	953.65	569.90
25	Food Manufacturing (22)	671.49	−0.9	8.69	3.71	15.01	4.37	698.02	700.49	689.17	492.43
26	Food Retailing (14)	1944.83	−1.6	6.17	2.35	22.00	6.62	1976.34	1975.73	1937.25	1557.49
27	Health and Household Products (10)	1606.52	+1.1	4.92	2.03	23.87	1.51	1589.25	1582.12	1575.39	1040.78
29	Leisure (25)	927.75	−3.3	7.08	3.76	16.93	10.57	959.26	961.91	953.81	678.22
31	Publishing & Printing (14)	2356.88	−0.7	6.78	4.01	18.69	6.16	2373.30	2377.57	2366.67	1768.58
32	Packaging and Paper (14)	453.02	−1.4	7.90	3.48	15.25	2.08	459.64	464.20	461.94	310.21
34	Stores (44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36	Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39	OTHER GROUPS (84)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44	Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46	Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	Miscellaneous (47)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oil & Gas (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance (Brokers) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Other Financial (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (103)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (757)	809.22	−1.6	—	3.76	—	7.29	822.09	825.53	822.62	620.64

	Index No.	Day's Change	Day's High	Day's Low	Apr 14	Apr 11	Apr 10	Apr 9	Apr 8	Year ago
FT-SE 100 SHARE INDEX ♦	1654.8	−28.3	1663.4	1651.7	1683.1	1694.1	1690.3	1659.0	1675.7	1290.8

FIXED INTEREST

PRICE INDICES		Tues Apr 15	Day's change %	Mon Apr 14	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Index-Linked					
6	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS

			Tues Apr 15	Mon Apr 14	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2		15 years	[illegible]	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]	[illegible]
4	Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5		15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	[illegible]	[illegible]	[illegible]
12	Inflat'n rate 5%	Over 5 yrs	[illegible]	[illegible]	[illegible]
13	Inflat'n rate 10%	5 yrs	[illegible]	[illegible]	[illegible]
14	Inflat'n rate 10%	Over 5 yrs	[illegible]	[illegible]	[illegible]
15	Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16		15 years	[illegible]	[illegible]	[illegible]
17		25 years	[illegible]	[illegible]	[illegible]
18	Preference		[illegible]	[illegible]	[illegible]

♦ Opening index 1656.0; 10 a.m. 1655.7; 11 a.m. 1661.5; Noon 1657.3; 1 p.m. 1654.3; 2 p.m. 1652.6; 3 p.m. 1651.9; 3.30 p.m. 1651.8; 4 p.m. 1651.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.
■ Corrected figures for 14/4/86

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change
Amstrad	524	−22
Boots	252	−6
Bowater Inds.	301	−12
British Aerospace	545	−13
Cable & Wireless	690	−10
Commercial Union	321	−8
Distillers	695	−26
Glaxo	£10¼	+¼
Harris Queensway	268	−18
Imperial Group	326	−19
Jaguar	390	−15
Mercantile House	362	+27

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Imperial Group	24	345	−18
Distillers	20	721	+8
Hanson Trust	19	177	+8
McKechnie Bros.	19	278	+38
Prudential	16	867xd	+22
Boulton (Wm.)	14	17	+2½
Burmah Oil	14	378	+13
Boots	13	258	−14
Legal & General	13	783	−21
Cable & Wire.	12	700	+3
Evered	12	335	+5
Amstrad	11	546	+38

EUROPEAN OPTIONS EXCHANGE

Series	May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C $340	28	16	7	26	—	—	$340.20
GOLD C $350	271	9.50	47	23	—	—	
GOLD C $360	127	5 A	12	16	—	—	
GOLD C $370	226	2.50 A	3	11.50	14	17.50 A	
GOLD C $380	51	1.50 A	6	8 B	—	—	
GOLD C $390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD P ...	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

TOTAL VOLUME IN CONTRACTS: 62,683.
A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
B.P. (*566)	500	70	86	100	2	5	13
	550	22	45	60	5	18	28
	600	4	20	30	35	42	50
Cons. Gold (*473)	420	54	55	67	8	25	30
	460	5	35	50	35	47	57
	500	1	18	35	70	80	82

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
P. & O. (*533)	420	122	140	—	1	2	—
	460	82	100	108	2	3	8
	500	45	67	80	6	12	23
	550	20	42	57	28	40	45
Racal (*190)	160	36	46	—	3	5	—
	180	22	32	42	6	9	12
	200	10	20	30	16	20	[illegible]

[The remaining London Traded Options series (Courtaulds, Com. Union, Cable & Wire, Distillers, G.E.C., Grand Met., I.C.I., Land Sec., Marks & Sp., Shell Trans., Trafalgar Hse, Barclays, Beecham, Boots, B.T.R., Bass, Blue Circle, De Beers, GKN, Glaxo, Hanson, Jaguar, Thorn EMI, Tesco, Brit. Aero, BAT Inds, Brit Telecom, Imperial Gr., LASMO, Lonrho, R.T.Z., Vaal Reefs, Tr. 11¾% 1991, Tr. 11¾% 03/07, FT-SE Index) — illegible at this resolution]

April 15 Total contracts 27,346 Calls 21,312 Puts 6,034 *Underlying security price.

WORLD STOCK MARKETS

CANADA

TORONTO
Prices at 2.30pm April 15

Sales	Stock	High	Low	Close	Chng
2000	U Canso	72	72	72	−1
103	Un Corp	\$43⅜	43⅜	43⅜	−⅛
1550	Versd A f	345	335	345	+5
1800	Versd B	340	335	335	−15
4800	Vestgron	134	127	127	
17800	Vulcan Ind	\$5⅞	5⅝	5¾	
496	Walax A	\$20	19¾	20	+½
313041	Walker H	\$38⅝	38⅜	38½	−⅛

F – No voting rights or restricted voting rights.

MONTREAL
Closing prices April 14

Sales	Stock	High	Low	Close	Chng
51124	Bank Mont	\$34	33¾	33¾	−¼
7780	BombrdrA	\$21	21	21	+¼
18180	BombrdrB	\$20	19¾	20	+
250	CB Pak	\$27½	27¼	27¼	−⅝
49236	Cascades	\$22⅞	22⅛	22⅞	+⅛
2352	ConBath	\$26½	26¼	26¼	−⅝
15610	DomTxtA	\$19½	19¼	19⅜	+⅛
15288	Gaz Metro	\$11½	11⅜	11⅜	
7300	MnlTrst	\$23	22¾	22¾	−⅛
38788	NatBk Cda	\$28	27¾	27⅞	−⅛
18600	Power Corp	\$31⅛	30¾	31¼	−½
12692	Provigo	\$19½	19⅜	19½	+⅛
200	RollandA	\$23½	23½	23½	−¼
1000	RollandB	\$23¾	23¾	23¾	+½
20116	Royal Bank	\$32½	32	32⅛	−¼
5530	RoyTrstco	\$32½	31½	32½	+1¼
61190	SteinbrgA	\$45½	44½	45¼	+1

Total Sales 4,737,813 shares

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

	Apr. 15	Apr. 14	Apr. 11	Apr. 10	1986 High	1986 Low
AUSTRALIA All Ord. (1/1/80)	1198.7	1202.1	1214.6	1195.6	1214.6 (11/4)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	559.5	569.7	566.2	560.0	602.0 (24/3)	492.5 (2/1)

** Saturday April 12: Japan Nikkei (c). TSE (c).

OVER-THE-COUNTER
Nasdaq national market, 2pm prices

Continued from Page 43

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES		
Tr 2½% I L '16	£96¾	+¾
Berisfords	140	+28
Elbar Indust	75	+11
Ford (Martin)	118	+8
Gable Hse Prop	175	+8
Mann & Co	355	+20
Mercantile Hse	362	+27
Simon Eng	256	+18
Sindall (Wm)	575	+20
Somportex	210	+17
Taylor Woodrow	385	+12

FALLS		
Tr 13¾% 00/03	£136¾	−1¾
Allied Text	285	−20
Argyll Group	355	−10
Bowater Ind	301	−12
British Tel	248	−8
Coats Viyella	536	−20
Courtaulds	279	−15
Distillers	695	−26
Grand Met	403	−17
GKN	355	−10
Guinness	342	−11
Hanson Trust	167	−10
Harris Queens	258	−16
Imperial Group	326	−19
Jackson Explo	11	−5
Racal Elect	190	−12
Saatchi	815	−40
Standard Chart	846	−27
Woolworth	850	−30

Prices at 2pm. April 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24	10⅝	AAR s			20	21	21⅞	21½	21⅞	−¼
25⅝	11½	AFG s			24	751	u25⅝	25	25½	+¼
25⅝	11⅞	AGS			14	42	20⅝	20¼	20¼	−¼
57⅞	37½	AMR			9	3642	54¾	54	54¾	−⅛
25¾	18⅝	AMR pf	2.18	8.6		22	25⅜	25⅜	25⅜	−⅛
12½	7⅝	APL			7	37	11⅞	11½	11⅞	+⅛
16¾	10⅜	ARX			13	20	15	14¾	15	+⅛
55	32¾	ASA	2a	5.3		242	37⅞	37⅜	37½	+⅛
18⅜	10½	AVX			21	584	15⅝	15	15	
31¼	22½	AZP	2.72	8.7	8	690	31¼	31	31¼	+⅛
86¾	49½	AbtLab	1.68	2.0	21	1456	86⅛	84⅝	85¾	+⅝
31⅞	19⅝	AccoWd	.50	1.7	21	7	30	30	30	
24¾	10	AcmeC	.40	2.9	19	40	13⅝	13⅜	13⅝	−⅛
9¼	7	AcmeE	.32b	4.0	15	1	8	8	8	
19¾	16¼	AdaEx	1.90e	9.8		197	19⅝	19¼	19⅜	
29	14	AdmMl	.40	1.5	12	52	26¾	26½	26¾	
20⅝	8¾	AdvSys	.36t	7.4	17	40	18⅜	18	18⅜	
32⅞	22⅞	AMD				1726	30¼	29¾	29⅞	−⅝
12⅝	6¼	Adobe n				28	9⅝	9¼	9⅝	+¼
18⅝	14⅝	Adob pf	1.84	11		164	16½	16⅜	16⅜	
20¼	15¼	Adob pf	2.40	12		15	19⅝	19⅜	19⅜	−⅛
17¾	8⅞	Advest	.12a	.8	15	175	16	15½	16	+⅛
66¼	40	AetnLf	2.64	4.2	18	1565	63⅝	62⅞	62⅞	−⅝
57½	52⅛	AetL pf	4.97e	9.2		19	53¾	53¾	53¾	
69¼	29	Ahmns	1.33	2.2	8	1682	63¾	62	63⅜	−¾
4¾	2½	Aileen			78	205	3⅞	3¾	3⅞	
82⅝	47½	AirPrd	1.48	1.9	16	492	78½	78⅛	78⅜	−⅛
27¾	17½	AirbFrt	.60	2.4	18	25	25	24⅞	24⅞	−¼
2⅞	⅜	AlMoan	.50e			25	½	15-32	½	+1-32

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from Page 42

[illegible]

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	44⅞	Xerox	3	4.5	15	1834	67¼	66⅛	66¼	−⅞
57⅞	51	Xerox pf5.45		9.6		1	57¼	57¼	57¼	−¼
17	13½	Yorkin n				159	16⅛	15¼	15⅝	−½
37	26	ZaleCp 1.32		4.0	13	23	33¼	33⅛	33⅛	−⅜
15½	3½	Zapata .03j				296	4¼	4⅛	4⅛	−⅛
77	41⅜	Zayre s .48		.6	24	259	76⅜	75	76⅛	−⅝
25¼	16¼	ZenithE				682	24⅞	24½	24½	−½
38	13	ZenLbs .10i		.3	23	1120	34	32¼	33⅝	+1
22⅜	13¾	Zero .4				138	20⅝	20	20	−⅜
45¼	28¾	Zurnin 1.32		3.2	15	39	41	40½	40¾	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 2pm, April 15

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices

[illegible]

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Cautious but positive response

THE DRAMATIC turn of events in the US-Libyan conflict found a cautious but positive response on Wall Street yesterday, *writes Terry Byland in New York.*

The US financial community took the view that President Ronald Reagan's action will rally support among allies of the US, without provoking further armed conflict.

Although oils improved, indicating some nervousness over the implications for world oil prices of the Libyan conflict, the markets made little immediate response when Opec ministers opened their Geneva meeting by condemning the US attack.

Airline issues moved higher, and defence stocks opened with minor gains. Elsewhere, a minor sell-off in blue-chip industrials soon ended as bonds rallied from their initial losses.

At 2pm the Dow Jones industrial average was up 3.97 at 1,809.28.

An unexpected dip of 0.5 per cent in March industrial production strengthened the case for a cut in the federal discount rate. The bond market recovered most of an early half-point loss, and stocks established a firm pattern, with turnover increased after Monday's sluggish session.

In oils, Exxon gained $⅞ to $56¾, Mobil $¼ to $29⅞ and Chevron $¼ to $39¾. With uncertainty over its penalty payment case increased by reported comments from the appeals judge who upheld the payment order, Texaco added $¼ to $32⅛. Pennzoil also edged up $⅛ to $52⅞.

The financial sector remained subdued as quarterly results continued to flow from the larger banks. Citicorp at $48⅞ eased $⅛ after announcing lower first-quarter earnings. Quotron, which rejected Citicorp's bid worth $19 a share, dipped $⅛ to $18½. Manufacturers Hanover, with higher first-quarter profits, also turned easier, shedding $¾ to $55.

Most of the attention focused on the Texas banks, which have been hard hit in the stock market by worries over their domestic energy portfolios. Among the main names to announce trading profits Wells Fargo eased $⅜ to $90⅝ while Security Pacific added $⅜ to $38¼.

However, Texas Commerce Bancshares shrugged off weaker earnings and added $½ to $21⅝. Banctexas Group of Dallas remained unchanged at $9½ in minimal trading after disclosing the expected sharp fall in first-quarter profits.

The blue-chip industrials were helped by firmness in IBM, $⅜ up at $153 in hefty trading, and other computer stocks edged ahead. Honeywell showed only a $⅛ gain at $72⅞ in continued response to the trading figures, and Digital Equipment rose $1⅝ to $174⅝.

Airline issues shrugged off any worries that the Libyan conflict might have for them, to show gains ranging to $1⅛ in United at $56⅝.

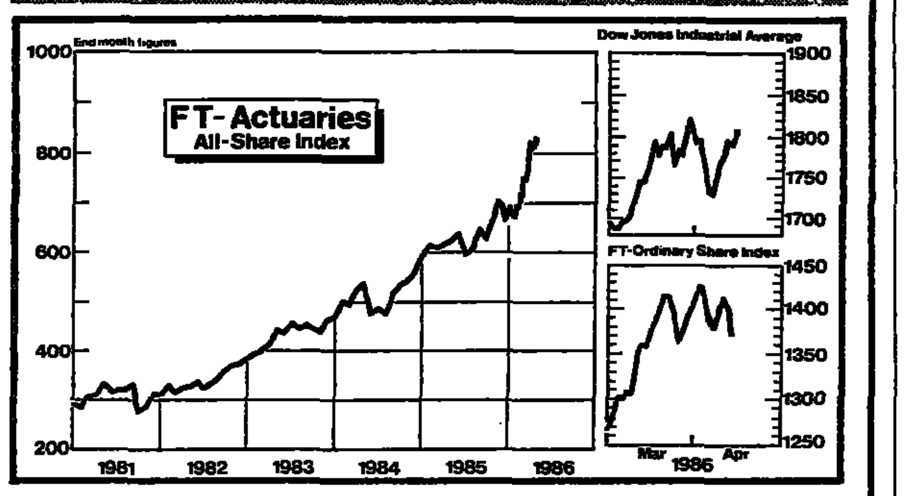
The Detroit car stocks remained dull as the latest sales reports from the industry reached the market. Ford at $81⅝ was unchanged while General Motors shaded $¾ lower to $83¾. After showing strength in recent sessions, Chrysler lay becalmed at $41⅞.

Defence stocks to move up included Lockheed, $1⅛ higher at $57¾, McDonnell Douglas, up $⅞ at $89½, and General Dynamics, up $⅜ at $88⅛. Only United Technologies, reacting to the trading results disclosed overnight, turned down to show a fall of $⅞ at $51.

Caterpillar Tractor eased $½ to $49 in moderate trading after disclosing a substantial profit for the first quarter of the year against a hefty loss. The other heavy industrials lacked any trend. Minnesota Mining eased $¼ to $99⅛.

In the credit markets federal funds remained at 7 per cent despite the Fed's intervention but Treasury bill and other short-term rates eased again, bringing three-month Treasury bills down to 5.80 per cent. The bond market recovered most of its early losses by mid-session, when the key long-dated yield was under 7.30 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	April 15	Previous	Year ago
NEW YORK			
DJ Industrials	1,809.28*	1,805.31	1,266.78
DJ Transport	785.08*	788.27	599.31
DJ Utilities	189.63*	189.17	156.34
S&P Composite	237.35*	237.28	180.92
LONDON			
FT Ord	1,370.8	1,399.3	979.5
FT-SE 100	1,654.8	1,683.1	1,288.5
FT-A All-share	809.22	822.09	620.64
FT-A 500	888.28	903.13	682.28
FT Gold mines	287.4	290.0	535.5
FT-A Long gilt	8.96	8.87	10.45
TOKYO			
Nikkei	15,352.33	15,396.76	12,552.70
Tokyo SE	1,223.75	1,227.10	977.16
AUSTRALIA			
All Ord.	1,198.7	1,202.1	857.8
Metals & Mins.	559.5	559.7	557.6
AUSTRIA			
Credit Aktien	118.85	116.99	75.19
BELGIUM			
Belgian SE	3,515.38	3,572.94	2,254.50
CANADA			
Toronto			
Metals & Minls	2,268.0*	2,275.9	2,058.0
Composite	3,093.7*	3,097.1	2,629.7
Montreal			
Portfolio	1,609.19*	1,608.92	129.69
DENMARK			
SE	n/a	248.64	190.65
FRANCE			
CAC Gen	378.0	375.5	218.7
Ind. Tendance	142.9	143.3	77.7
WEST GERMANY			
FAZ-Aktien	736.56	740.96	422.46
Commerzbank	2,238.3	2,243.9	1,220.3
HONG KONG			
Hang Seng	1,763.73	1,785.45	1,505.44
ITALY			
Banca Comm.	716.05	695.39	272.21
NETHERLANDS			
ANP-CBS Gen	271.6	272.0	207.4
ANP-CBS Ind	255.8	255.4	166.1
NORWAY			
Oslo SE	360.29	360.29	306.54
SINGAPORE			
Straits Times	569.17	567.20	791.17
SOUTH AFRICA			
JSE Golds	–	1,156.2	1,137.4
JSE Industrials	–	1,112.3	878.2
SPAIN			
Madrid SE	159.30	159.67	80.62
SWEDEN			
J & P	2,305.12	2,334.58	1,423.65
SWITZERLAND			
Swiss Bank Ind	600.5	601.0	418.3
WORLD	April 14	Prev	Year ago
MS Capital Int'l	308.0	307.4	203.2

COMMODITIES

(London)	April 15	Prev
Silver (spot fixing)	363.25p	370.80p
Copper (cash)	£966.00	£961.00
Coffee (May)	£2,167.00	£2,315.00
Oil (Brent blend)	$12.825	$13.075

GOLD (per ounce)

	April 15	Prev
London	$340.75	$341.00
Zürich	$340.75	$340.75
Paris (fixing)	$341.54	$343.85
Luxembourg	$340.50	$344.20
New York (June)	$344.40	$343.40

CURRENCIES

(London)	US DOLLAR April 15	US DOLLAR Previous	STERLING April 15	STERLING Previous
$	–	–	1.48	1.4815
DM	2.311	2.309	3.42	3.42
Yen	178.3	178.95	263.75	265.0
FFr	7.3625	7.3625	10.895	10.8825
SFr	1.9335	1.9305	2.8625	2.86
Guilder	2.606	2.601	3.8575	3.855
Lira	1,581.5	1,582.5	2,340.5	2,344.5
BFr	47.0	46.9	69.55	69.5
C$	1.393	1.3995	2.059	2.0712

INTEREST RATES

	April 15	Prev
Euro-currencies (3-month offered rate)		
£	10⅝	10⁹⁄₁₆
SFr	4⁵⁄₁₆	4⅛
DM	4⁹⁄₁₆	4⁹⁄₁₆
FFr	7⅝	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	6¹⁵⁄₁₆	6⅞
6-month US$	6¹⁵⁄₁₆	6⅞
US Fed Funds	7*	7¹¹⁄₁₆
US3-month CDs	6.45*	6.5
US3-month T-bills	5.885*	5.92

US BONDS

Treasury		April 15* Price	Yield	Prev Price	Yield
7⅞	1988	101⅜	6.46	101⅝	6.52
7⅞	1993	102⅝	6.99	101²⁵⁄₃₂	7.02
8⅞	1996	111⁷⁄₃₂	7.173	111¹⁵⁄₃₂	7.21
9¼	2016	123¹⁹⁄₃₂	7.296	123¹¹⁄₃₂	7.31

Treasury Index Maturity (years)	April 15* Return index	Day's change	Yield	Day's change
1–30	153.05	–0.05	7.08	–0.01
1–10	144.45	+0.06	6.90	–0.01
1– 3	135.18	+0.08	6.65	–0.02
3– 5	146.69	+0.13	7.00	–0.02
15–30	183.92	–0.33	7.68	+0.02

Source: Merrill Lynch

Corporate	April 15* Price	Yield	Prev Price	Yield
AT&T				
10⅜ June 1990	101⅜	9.85	101⅜	9.85
3⅜ July 1990	89⅝	6.9	89⅝	6.9
8⅜ May 2000	96⅝	8.9	98⅝	8.9
Xerox				
10⅞ Mar 1993	108⅜	8.04	108⅜	8.04
Diamond Shamrock				
10⅜ May 1993	102	10.01	102	10.01
Federated Dept Stores				
10⅞ May 2013	110.17	9.5	110.17	9.5
Abbot Lab				
11.80 Feb 2013	111.5	10.5	111.5	10.5
Alcoa				
12⅛ Dec 2012	111⅛	10.94	111⅛	10.94

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	103-09	113-27	102-20	103-22
US Treasury Bills (IMM) $1m points of 100%				
June	94.51	94.54	94.48	94.49
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.76
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.44	93.47	93.40	93.38
20-year Notional Gilt £50,000 32nds of 100%				
June	127-05	128-08	126-28	128-14

* *Latest available figures*

TOKYO

Commodities and oils find favour

NEWS of the US air strikes against Libya sent share prices tumbling, but they recovered some lost ground towards the close, *writes Shigeo Nishiwaki of Jiji Press.*

Shares sensitive to changes in international commodity prices, such as oils and non-ferrous metals, and electrical machinery issues with hidden incentives attracted buyers, but large-capital and public works-related shares were out of favour.

The Nikkei average plummeted 113 at one stage but later recovered to finish 44.43 down at 15,352.33 on volume of 475.15m shares, compared with Monday's 437.98m. Losers outstripped gainers by 512 to 340, with 134 issues unchanged.

Daunted by the US air strikes against Libya, some investors scurried to sell shares on a wide front. But others sought oil and non-ferrous metal shares in anticipation of a surge in international commodity prices.

Nippon Mining rose Y24 at one stage on volume of 9.48m shares, the second largest on the list of 10 most active stocks, but fell back later on profit-taking to close Y12 up at Y470. Nippon Oil and Sumitomo Metal Mining also gained ground in the morning but closed unchanged at Y1,000 and Y2,110, respectively.

In the afternoon investors bought shares selectively as concern over the Libyan crisis had eased. Victor Co of Japan (JVC) was spotlighted on news that the company had agreed to supply its camcorders to Matsushita Electric Industrial and Hitachi on an original equipment manufacturing basis.

JVC's stock gained Y200 to Y2,550 on volume of 8.87m shares, the third largest on the list. Pioneer also firmed Y100 to Y2,350 on increased demand for laser discs for the manufacture of compact discs. Anritsu Electric added Y130 to Y2,700 on stronger demand for optical fibre telecommunications equipment.

Mitsui Real Estate Development drew strength from hopes of increased revenues from urban redevelopment, gaining Y100 to Y1,620 on volume of 10.91m shares, the largest on the active list.

Elsewhere, Sumitomo Coal Mining rose Y38 to Y508, Oki Electric Y17 to Y725, Tokyo Tanabe Y70 to Y715 and Toppan Printing Y70 to Y1,580.

Some domestic demand-related issues, which had led the market in March, lost ground. Tokyo Gas eased Y3 to Y383, Tokyo Electric Power Y110 to Y3,590, Mitsubishi Estate Y60 to Y1,830 and Kajima Corp Y22 to Y727.

The bond market weakened on small-lot selling, in response to the growing tension between the US and Libya, with the yield on the bellwether 6.2 per cent government bond due in July 1995 soaring to 4.960 per cent at one stage from Monday's 4.780 per cent.

Bond prices later rallied on increased buying, pushing the barometer yield down to 4.905 per cent at the close on the Tokyo Stock Exchange. On the over-the-counter market, however, the yield hovered around 4.940 per cent as investors moved to the sidelines.

There was no panic selling of bonds as market participants decided that the conflict between the US and Libya would be localised. But fears were widespread that the co-ordinated official discount rate cuts agreed between Japan and the US could be postponed if the turmoil should lead to higher oil prices.

SINGAPORE

A TECHNICAL reaction to Monday's sharp fall pushed prices higher in Singapore although many traders kept to the sidelines awaiting developments.

The Straits Times industrial index edged 1.97 higher to 569.17 on turnover steady from the previous session at 6.8m shares.

Among active issues Singapore Airlines rose 10 cents to S$5.85 while Gentings recovered 14 cents to S$3.44 and Fraser and Neave lost 10 cents to S$5.40.

Former director of Pan Electric, Mr Peter Tham Wing Fai, was arrested early Monday morning on his return to Singapore and charged with five criminal offences.

EUROPE

Knee-jerk reaction to Libya crisis

THE US attack on Libya produced a swift knee-jerk reaction on the European bourses yesterday while sustained profit-taking in response to recent peaks accentuated the declines.

Frankfurt was stopped dead in its tracks. The record-setting run that added over 78 points to the Commerzbank index ran out of steam, and the mid-session calculation took the index 6.6 points lower to 2,238.3.

Leading international blue-chip issues were mauled by profit-takers although market conditions remained calm.

Daimler took a DM 35 mark-down to DM 1,475, and VW lost DM 10.50 to DM 667.50 despite reports that an agreement was expected soon with Olivetti over co-operation on its Triumph Adler office unit.

The banking sector, which has fuelled much of the recent rally through a steady stream of good trading results, turned easier. Dresdner lost DM 11.50 to DM 491.50 ex-rights while Deutsche Bank, the latest to report, dipped DM 3.50 to DM 895. BHF resisted the profit-taking and moved DM 3 higher to DM 581.

Hoechst led the chemical sector lower with its DM 6.50 drop to DM 309.50 while engineers surrendered some of their recent gains. Deutsche Babcock lost DM 10 to DM 214 despite higher earnings and orders for the first half.

A decline in the dollar from early highs encouraged domestic and foreign operators to open new positions in the bond market, which finished mixed to firm.

Unease over the Libyan conflict was counterbalanced by the steep overnight rise in the US credit markets.

Prices fluctuated between gains and losses of 10 basis points, and the Bundesbank sold DM 18.2m of paper

The retreat in **Brussels** gathered pace as profit-takers rubbed shoulders with those unsettled over events in the Mediterranean. The combined strength of the dollar and gold fostered the mood of hesitancy, and the Belgian Stock Exchange index fell 56.56 to 3,515.38.

By the close Gevaert was BFr 500 cheaper at BFr 6,000, Sofina was BFr 300 down at BFr 10,100 and Asturienne had fallen BFr 52 to BFr 1130.

Leading tourism group Wagons-Lits lost BFr 80 to BFr 5,700 despite its recent 23 per cent rise in profits, dividend boost and capital increase planned for later this year.

Stockholm fell back from Monday's peak amid profit-taking. Volvo topped the active list and lost SKr 6 to SKr 389 while Electrolux, most active in the previous session and busy again yesterday, fell SKr 6 to SKr 306.

Asea resisted the downturn with a SKr 6 rise to a 12-month high of SKr 470 after revealing that its hydroelectric power subsidiary Skandinaviska Elverk announced a major sale of power stations.

Alfa-Laval, one of the stars of Monday's session, continued to rise with a SKr 3 advance to SKr 343, a new high for the year.

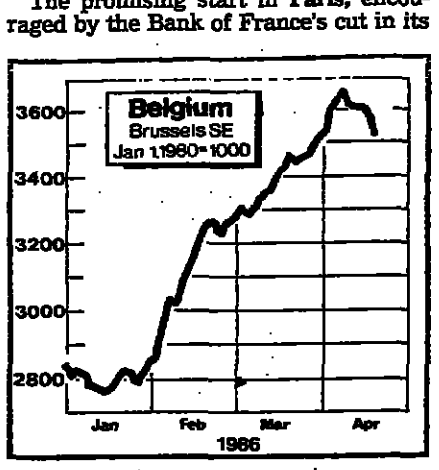
Trading in Aga was suspended pending an announcement due today.

Amsterdam lost its grip on record levels. Internationals were again active, with Unilever reversing an opening gain of Fl 2.50 into a closing loss of Fl 3 at Fl 431. Philips finished 50 cents cheaper at Fl 63.60.

VNU moved against the trend and recouped the Fl 1 loss sustained on Monday to return to a closing quote of Fl 307.

Fokker jumped Fl 3.90 to Fl 88.80, a new 12-month high, while Rolinco edged 40 cents higher to Fl 83.90.

The promising start in **Paris**, encouraged by the Bank of France's cut in its key money market intervention rates, was overturned by the Libyan attack.



Elf was an exception as investors responded warmly to plans to slash 1986 investment due to the collapsed oil market. It reached another high for the year with a FFr 21.50 jump to FFr 317.50.

Screg, the troubled construction group bailed out by fellow builder Bouygues, slumped a further 12 per cent to FFr 98.20 on reports of difficulties in implementing the rescue plans. Bouygues fell FFr 25 to FFr 1,080.

Redoute repeated Monday's strong display with another FFr 50 advance to FFr 1,940, and Peugeot firmed a further FFr 35 to FFr 1,065.

Zurich closed slightly mixed in lively trading as **Milan** was buoyed by the start of the new account. Montedison picked up L35 to L4,020 ahead of plans to move into the pension funds business.

Madrid eased in active trading while **Oslo** made small gains after the end of Norway's worst industrial dispute for 55 years.

SOUTH AFRICA

CAUTIOUS trading left prices mostly easier but off their early lows.

ET Consolidated gave up R1 to R47 in the gold sector while Cons Modder lost 20 cents to R11.80. Blyvoor, however, gained 25 cents to R15.50.

Platinums mirrored golds, with Rustenburg off 65 cents at R32.75, but diamond share De Beers rose 10 cents

LONDON

Nervousness prompts record fall

NERVOUSNESS over the US strike at Libya sent leading shares sharply lower in London and forced the two main FT indices to record their largest ever one-day falls in points' terms.

The FT Ordinary share index dropped 28.5 to 1,370.8 while its sister index, the FT-SE 100, shed 28.3 to 1,654.8.

Lower US bond prices on Monday upset government stocks. Selected longs fell about 1 point, but index-linked issues resisted the trend.

Among losers Argyll Group gave up 10p to 355p, Distillers 26p to 695p, Guinness 11p to 342p and Hanson Trust 10p to 167p.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38–39

AUSTRALIA

INDUSTRIALS were sold for profits in Sydney yesterday, and prices eased slightly, but buying interest showed signs of reviving.

Ahead of an inquiry into its share transactions with Elders IXL, BHP ended steady at A$7.26 after touching a low of A$7.14.

Elders, however, moved against the tide, rising 30 cents to a high of A$4.30.

BHP's suitor, Bell Resources, gave up 15 cents to A$4.50 while parent company Bell Group lost 30 cents to A$7.40.

CRA moved down 4 cents to A$7.10 before news that workers would return to three of its Broken Hill mines and talks resumed with unions over work practices.

HONG KONG

PROFIT-TAKING after eight consecutive sessions of gains dragged Hong Kong lower and left the Hang Seng index off 21.72 at 1,763.73.

The index has climbed more than 182 points during the past two weeks – about 11 per cent – and brokers have been awaiting a correction for the past few days.

The underwriting of the Cathay Pacific flotation continued, and Swire Pacific, which owns the airline, was actively traded. It rose 20 cents to HK$13.30.

CANADA

GOLD AND OIL issues firmed on speculation of higher commodity prices, but most stocks turned easier in Toronto.

On the busy list Canadian Pacific moved C$¾ lower to C$17⅞, and Hiram Walker gave up C$⅛ to C$38½

As other gold issues traded higher, Lac Minerals slipped C$⅜ to C$18¾. However, in oils Imperial Oil added C$¼

Utilities and industrials were lower in Montreal while banks showed gains.